AR19

annual report 1994

Noranda's aim is to be one of the world's premier diversified natural resources companies. Each of Noranda's businesses will be among the leaders in its industry in terms of workplace safety, environmental performance, cost competitiveness and rate of return on capital employed.

noranda

Noranda Inc. is a diversified natural resources company that operates in three sectors — mining and metals, forest products and oil and gas. Noranda companies produce commodity, value-added and manufactured products that are sold to customers throughout the world. More than 75 per cent of our products are exported to markets outside Canada.

Noranda employs almost 31,000 people at operations and sales offices around the world. Total assets were $11.8 billion at year-end 1994.

Noranda is a Canadian-owned company whose common shares are listed on Canada's major stock exchanges (NOR).

on the cover

Our vision clearly states our goals and defines our expectations of each of the companies in the Noranda group.

contents

financial highlights

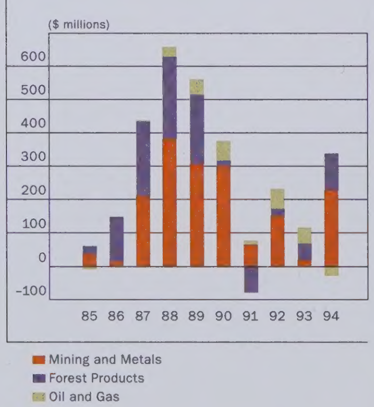
GROUP EARNINGS

($ millions)	1994	1993
Mining and Metals	229	21
Forest Products	110	48
Oil and Gas	(25)	47
Operating earnings	314	116
Corporate and other	(19)	(24)
Investment and other income	130	54
Cost of borrowing	(95)	(98)
Loss on the sale of MacMillan Bloedel		(30)
Closure provision, Atholville pulp mill		(55)
Earnings (loss)	330	(37)

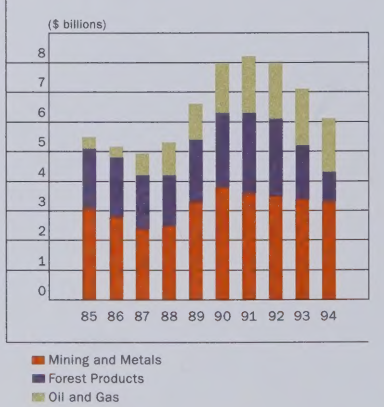
FINANCIAL HIGHLIGHTS

($ millions – except per share data)	1994	1993	1992	1991	1990
Revenue	6,756	5,272	8,643	8,460	9,565
Earnings (loss)	330	(37)	79	(133)	120
Cash from operations	900	751	887	546	1,007
Earnings (loss) per common share	$1.45	(0.41)	0.10	(1.04)	$0.36
Dividends per common share	$1.00	1.00	1.00	1.00	$1.00
December 31					
Working capital	2,324	1,389	1,732	1,783	2,014
Long-term debt	2,791	2,818	4,920	4,541	4,522
Capital sources	6,044	4,883	6,324	6,575	6,998

OPERATING EARNINGS



AVERAGE NET ASSETS EMPLOYED



mining and metals

MINING AND METALS

Noranda's Mining and Metals group is one of the world's largest producers of zinc and nickel, and is a significant producer of primary and fabricated aluminum, copper, lead, sulphuric acid, cobalt, gold, silver and wire rope. It is also a major recycler of secondary copper, nickel and precious metals. The group operates 18 mines, 11 metallurgical plants and 11 fabricating facilities in Canada and elsewhere.

The group conducts its activities through five independently managed business units, employing more than 18,500 people at its operations and sales offices around the world.

MAJOR OPERATIONS AND COMPANIES*

Noranda Mining and Exploration Inc.
Brunswick Mining and Smelting Corporation Limited (63%)
Geco Mine
Heath Steele Mines (91%)
Mines Gaspé
Matagami Division
Novicourt Inc. (61%)
Falconbridge Limited (46%)
Hemlo Gold Mines Inc. (44%)
Noranda Metallurgy Inc.
Canadian Electrolytic Zinc Limited (95%)
Noranda Copper Smelting and Refining
Noranda Sales Corporation Ltd.
Noranda Advanced Materials
Rudolf Wolff & Co. Ltd. (97%)
Noranda Aluminum, Inc.
Norandal USA, Inc.
American Racing Equipment, Inc.
Wire Rope Industries Ltd. (90%)

*100% unless otherwise noted

PRINCIPAL LOCATIONS

Canada
United States
Sales and exploration offices around the world

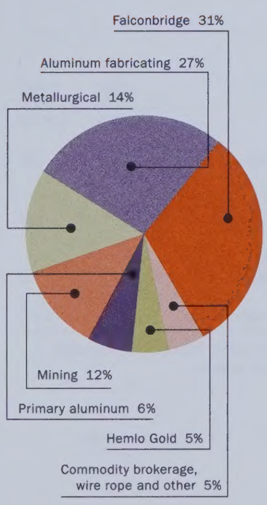
Major mine projects
Collahuasi, Chile
Côte d'Ivoire, West Africa
Holloway, Ontario
Matagami, Quebec
Montanore, Montana
New World, Montana
Raglan, Quebec
Sudbury, Ontario
Timmins, Ontario

MAJOR PRODUCTS/ END-USE PRODUCTS

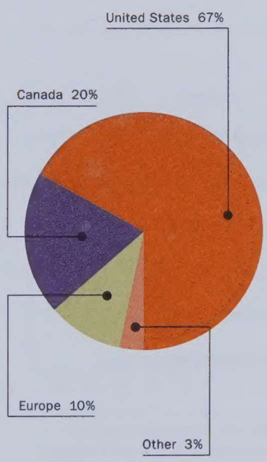
Zinc	Lead
Copper	Aluminum ingot
Nickel	Aluminum sheet
Gold	Aluminum foil
Silver	Steel wire rope
Sulphuric acid	

End uses for materials produced by the Mining and Metals group are wide ranging and integral to the production of many everyday items. A few examples are: zinc in automotive parts, copper in electrical wiring, lead in batteries, nickel in stainless steel, precious metals in electronic circuit boards, silver in photographic film, aluminum in automotive wheels and household foil, and structural wire rope for suspension bridges.

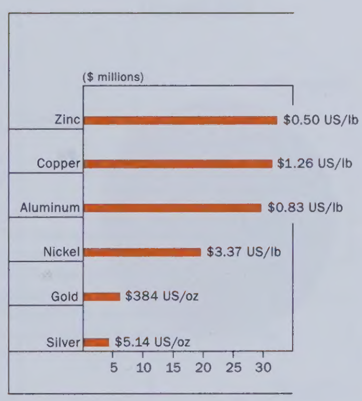
1994 NET SALES BY BUSINESS UNIT



MARKET DISTRIBUTION



EARNINGS SENSITIVITY



This chart shows the annualized impact on Noranda's net earnings of a 10% price change by product, excluding the impact of forward hedging contracts. For an overview of products in all of Noranda's sectors, see page 31.

FINANCIAL SUMMARY

($ millions)	1994	1993
Sales	4,602	3,434
Operating earnings	229	21
Average net assets employed	3,264	3,362
Cash from operations*	629	500
Capital expenditures	297	268

*Cash flow before interest expense and investment income.

forest products

FOREST PRODUCTS

Noranda's Forest Products group is one of Canada's largest producers of forest products. The company's operations are segmented among three primary businesses: building materials, papers and market kraft pulp. Noranda Forest operates 13 sawmills, eight panelboard mills and six pulp and paper plants. In addition, an oriented structural board mill is planned for start-up in mid-1995. The group employs about 8,200 people.

MAJOR OPERATIONS AND COMPANIES*

Noranda Forest Inc. (74%)
Fraser Inc.
J.P. Levesque & Sons, Inc. (50%)
James Maclaren Industries Inc.
Norbord Industries Inc.
Northwood Pulp and Timber Limited (50%)
Northwood Panelboard Company (50%)
Thorold Specialty Papers

*100% unless otherwise noted

PRINCIPAL LOCATIONS

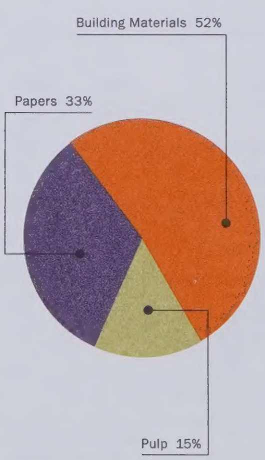
Canada
United States
United Kingdom
Sales offices around the world

MAJOR PRODUCTS/ END-USE PRODUCTS

Lumber
Oriented structural board
Plywood
Medium density fibreboard
Fine paper
Groundwood paper
Newsprint
Pulp
Boxboard

From virgin and recycled paper products to building materials, Noranda Forest products are used in a wide range of applications including: newspapers, magazines, book papers, wallcoverings, telephone directories, tissue, packaging materials, house construction and renovations.

1994 NET SALES BY SEGMENT



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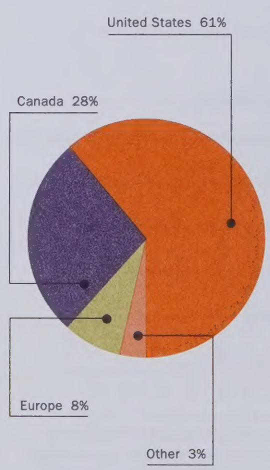
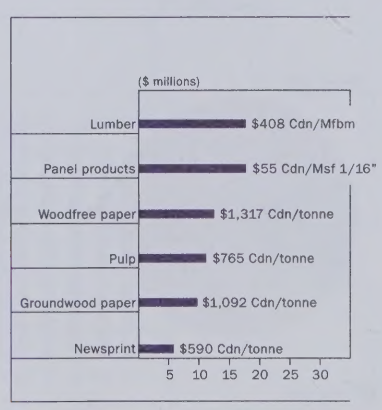


EARNINGS SENSITIVITY



This chart shows the annualized impact on Noranda's net earnings of a 10% price change by product, excluding the impact of forward hedging contracts. For an overview of products in all of Noranda's sectors, see page 31.

FINANCIAL SUMMARY

($ millions)	1994	1993
Sales	1,801	1,570
Operating earnings	110	48
Average net assets employed	1,016	1,799
Cash from operations*	278	172
Capital expenditures	241	112

*Cash flow before interest expense and investment income.

oil and gas

OIL AND GAS

Noranda's Oil and Gas group is made up of two companies that explore for, develop and produce natural gas, natural gas liquids and crude oil. The group is one of Canada's largest in terms of natural gas and oil reserves. In terms of volumes sold, Norcen is also the largest retail marketer of propane in Canada, and the fourth largest in North America. The group employs 3,400 people primarily in western Canada.

MAJOR OPERATIONS AND COMPANIES*

Canadian Hunter Exploration Ltd.
Norcen Energy Resources Limited (44%)
Superior Propane Inc.

*100% unless otherwise noted

PRINCIPAL LOCATIONS

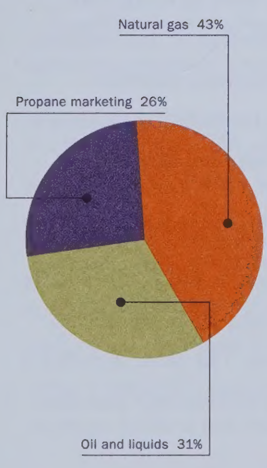
Canada
United States
Argentina
Venezuela

MAJOR PRODUCTS/ END-USE PRODUCTS

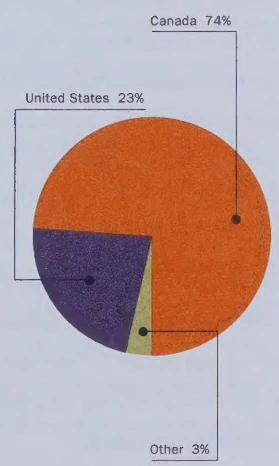
Natural gas
Natural gas liquids
Crude oil
Propane

Natural gas is used primarily as a heating fuel, propane powers vehicles and oil is converted into various fuels such as heating oils, gasoline and jet diesel. Oil is also used in many products including plastics, chemicals and building products.

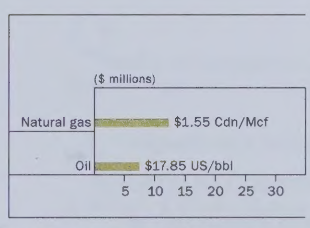
1994 NET SALES BY SEGMENT



MARKET DISTRIBUTION



EARNINGS SENSITIVITY



This chart shows the annualized impact on Noranda's net earnings of a 10% price change by product, excluding the impact of forward hedging contracts. For an overview of products in all of Noranda's sectors, see page 31.

FINANCIAL SUMMARY

($ millions)	1994	1993
Sales	230	251
Operating (loss) earnings	(25)	47
Average net assets employed	1,771	1,861
Cash from operations*	215	204
Capital expenditures	194	125

*Cash flow before interest expense and investment income.

positioned for growth

AN INTERVIEW WITH DAVID KERR AND ALFRED POWIS

Q

What were Noranda's financial results in 1994?

A

DAVID KERR: Noranda earned $330 million in 1994 compared to a loss of $37 million a year earlier. The major reason for the increase in earnings was the higher prices we received for our products, including $80 million related to the decline in the value of the Canadian dollar during the year. In addition, we had higher production and sales volumes for almost all of our products.

On a per share basis, we earned $1.45, compared to a loss of $0.41 in 1993.

Earnings for 1994 included one-time gains and charges which added a net $27 million to our earnings. The principal gains were from the sale of Central Canada Potash and of Norandex, and from the dilution of our ownership interests in Falconbridge and Hemlo Gold. The charges related principally to mining operations and to Norcen's restructuring provisions.

ALF POWIS: We're in the middle of a pretty decent recovery, and we're pleased to be on an upswing. Our rate of return on shareholders' equity is 8.1% and improving.

Q

Can you review the results by operating group?

A

DAVID KERR: Our Mining and Metals group had earnings of $229 million compared to earnings of $21 million in 1993. Higher prices in Canadian dollars for copper, aluminum, nickel and, toward the end of the year zinc, were the main reasons for the increase.

Earnings in the Forest Products group were $110 million. This is more than double the 1993 contribution of $48 million. This improvement is largely a result of buoyant markets for most products. In particular, markets for building materials were strong during 1994. And recently, pulp and newsprint markets have been on an upswing.

Noranda's Oil and Gas group lost $25 million in 1994. This is compared to earnings of $47 million in 1993. The results were affected by lower oil prices early in 1994 and a significant decline in gas prices by the end of the year. The most important factor, however, was our $61 million share of Norcen's year-end restructuring provision.

David Kerr, President (left), and Alf Powis, Chairman (right) review Noranda's performance for 1994, and talk about what's ahead for the Company.

Q

Noranda has been focusing on improving its financial strength. Did you make progress in 1994?

A

ALF POWIS: We did a number of things in 1994 that improved our balance sheet. The most significant was a net $781 million public issue of common shares by Falconbridge. It resulted in Noranda becoming the largest single shareholder, and in the repayment of Noranda's share of the original purchase financing.

In addition, we generated $900 million of cash from operations and received another $798 million from the sale of assets.

DAVID KERR: The strong cash flow allowed us to make capital expenditures of $705 million, reduce debt by $930 million and pay dividends of $285 million. It also allowed us to increase our cash position by $634 million. As a result, Noranda has a strong balance sheet. Our target is for debt to be between 25% and 35% of our total debt and equity capital. At December 31, 1994 it was 23%, compared to 33% a year ago. (See chart on page 32 for a ten-year history of net debt to total capital.)

Q

Productivity improvements and cost-cutting measures have contributed significantly to earnings in the past two years. Will these continue?

A

ALF POWIS: The simple answer to this question is that they must continue. A principal source of Noranda's competitive advantage in the marketplace is its ability to produce products at a low cost. Continuous productivity improvements and cost cutting are essential to achieving and maintaining our position as a low-cost producer.

DAVID KERR: Concrete evidence of the impact of productivity improvements and cost cutting is seen in a comparison of the 1991 and 1994 earnings of the Mining and Metals group. Metal prices and sales volumes in each year were roughly the same. Yet we earned $163 million more in 1994 than we did in 1991. A large part of that improvement is the result of productivity improvements and cost cutting.

ALF POWIS: Looking ahead, there is a danger that with improved results, we could lose our focus on improving productivity. However, if there is one thing we have learned, it is that improvements must be continuous. They cannot start and stop, or even worse, move in reverse. Our managers will continue to be charged with and rewarded for improving cost competitiveness.

Q

Overall, how would you characterize 1994?

A

DAVID KERR: It was a year of taking stock of what we have achieved and adding a focus on growth. We devoted a lot of time and energy to fine-tuning our corporate strategy and vision. This vision, which is printed on the cover of this report, clearly states our goals, and defines our expectations of each of the companies in the Noranda group. In short, we expect all Noranda companies to be leaders in four key areas: workplace safety, environmental performance, cost

competitiveness, and rate of return on capital employed. Pages 9 to 29 of this report talk about why these four areas are important to us, and what our progress has been.

ALF POWIS: In the oil and gas sector, Norcen Energy Resources and Canadian Hunter have both undergone extensive restructuring to ensure their ability to add reserves profitably. (See story on page 29.)

We also reorganized our minerals business by creating two new business units: Noranda Mining and Exploration Inc., and Noranda Metallurgy Inc. The challenge for each business is to focus its efforts in order to grow and earn a superior return on investment.

Q

Noranda has sold a lot of assets over the past two years. Is this part of a plan to reduce the size of the Company?

A

ALF POWIS: Over the past two years we have realized roughly $1.5 billion from the sale of assets. Significant sales include MacMillan Bloedel in 1993, and Norandex and Central Canada Potash in 1994. In addition, we reduced our holdings of Noranda Forest shares from 83% to 74%. We are not planning any further sales.

DAVID KERR: But the movement has not all been one way. We have also made substantial commitments to growth.

New ore bodies are being developed, including Hemlo Gold's Holloway gold mine, the Novicourt copper mine, the Bell Allard zinc mine and Falconbridge's Raglan nickel mine. Falconbridge has increased its ownership of the giant Collahuasi copper ore body in Chile to 50 per cent. Noranda Metallurgy is building a pilot plant to produce magnesium using an innovative technology. Noranda Forest has undertaken the construction of new oriented structural board (OSB) plants in Tupelo, Mississippi and La Sarre, Quebec, and doubled the capacity of the Highland mill in Scotland. These projects will more than double Noranda's OSB capacity. American Racing built a new wheel plant in Mexico in 1994, and will complete another in Kentucky in 1995. In addition to these greenfield efforts, there are numerous incremental expansions that were either completed in 1994, or are still under way in 1995.

Q

What is Noranda doing about corporate governance?

A

ALF POWIS: Noranda's Directors and the Directors of each of the public companies in the Noranda group have discussed corporate governance during the past year. Our aim is simple: to ensure that each Board plays an effective role and is able to carry out its responsibilities with a satisfactory degree of independence from management. The work of The Toronto Stock Exchange has been helpful.

At this point, I would like to thank André Monast and Adam Zimmerman, who have been Directors for 28 years and 20 years respectively. They will not be standing for re-election to the Noranda Board of Directors. Both of them have made a significant contribution to the Company and will be missed.

Q

What about 1995? What's ahead for Noranda?

A

DAVID KERR: If our projections for the global economy and the markets for our products are in the right ball park, 1995 looks like a pretty exciting year. Our new projects have the potential to renew Noranda's asset base and create value for shareholders. For the first time in several years, we believe our earnings and our return on equity will be at a level appropriate to a company our size.

On behalf of the Board,

Alfred Powis, Chairman

David W Kerr

David Kerr, President
February 15, 1995

noranda's vision: making it a reality

Noranda is one of the world's premier diversified natural resources companies. We intend to continuously enhance our position among our competitors.

We believe that we can achieve our goal if each of our businesses is among the leaders in its industry in four key areas: workplace safety, environmental performance, cost competitiveness and rate of return on capital employed. We selected these four areas because each is fundamental, strategic and measurable. Each company in the Noranda group sets objectives in each of these areas, and the performance of the company and its senior management is assessed in terms of results relative to those objectives.

As we look to the future, we are determined to produce top results relative to our competition at all points of the business cycle. This is the most fundamental way we know of producing high value for our shareholders. And we will do this with the highest level of integrity wherever in the world we operate.

Having identified the four key areas in which we seek industry leadership, we want to highlight some of our achievements in each. The following sections tell stories of significant accomplishments throughout the Noranda group of companies.

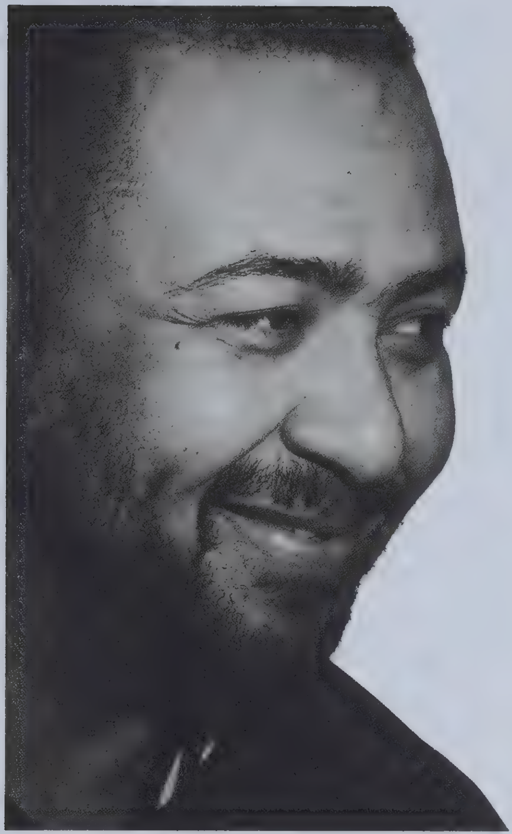
2

WORKPLACE SAFETY

four people speak

The ultimate goal of every Noranda group operation is zero accidents. The basic building block for Noranda is a safe workplace. We owe it to our employees, their families and their communities.

Noranda is a company in which employees work in a physically demanding environment. The safety challenge is constant. Despite our best efforts, tragically, four fatalities occurred at Noranda group operations during 1994. This is unacceptable.



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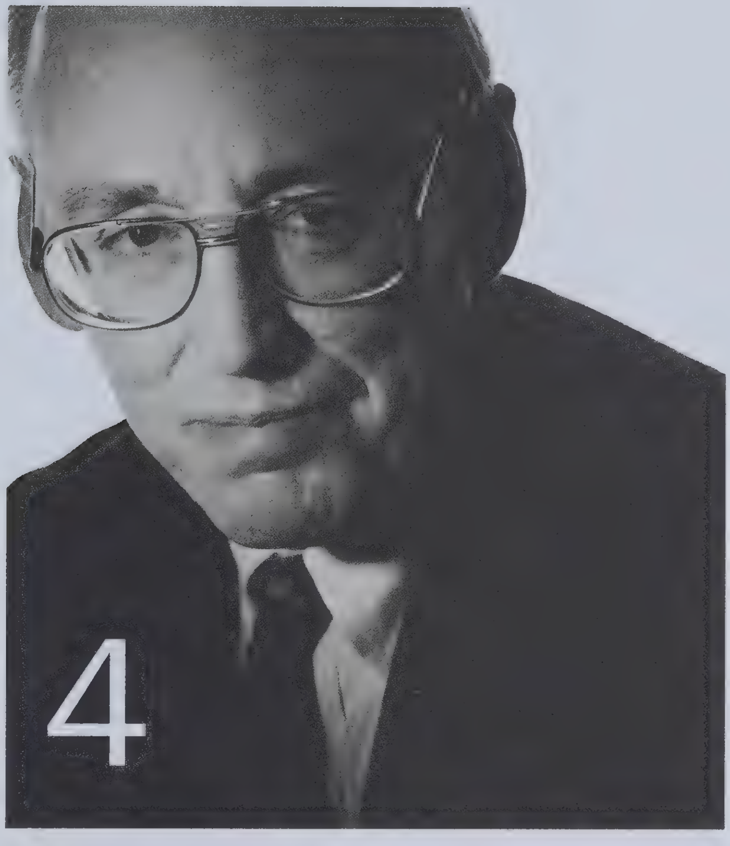


We are determined to improve our safety performance everywhere. Literally every operation has as a key objective to reduce its accident rate. It is essential that management and employees at all levels understand that Noranda attaches the highest priority to workplace safety and that they work together toward a common goal.

On the following pages, four Noranda people speak about successful initiatives in improving workplace safety.

1

Jean-Paul Robin

Noranda Mining and Exploration, Noranda Metallurgy
Montreal, Quebec

While resource companies have traditionally emphasized accident prevention and industrial hygiene, there is another side to keeping employees healthy. Noranda's mining and metallurgy companies have developed a far-reaching program to encourage wellness among employees. Wellness is all-around general good health — and you achieve it by taking control of the way you live — on and off the job. Says Jean-Paul Robin, Director, Occupational Health and Safety of the two companies, "Traditionally when you go to a physician it's because you feel sick. But the wellness program helps employees avoid getting ill in the first place."

The wellness program informs employees about health risks and helps them improve their lifestyles. Among the issues: cardio-vascular disease, nutrition, the benefits of exercise, tobacco addiction, alcohol and drug abuse, back care and cancer prevention. The program builds awareness of these issues among employees. Next there are procedures and "interventions". These can include a health check by a nurse to detect high blood pressure and provide information about hypertension, the distribution of posters, and even "running-shoe days" that remind employees of fitness benefits. The program also has policies such as non-smoking, and support mechanisms such as providing dieticians at sites to help employees who have cholesterol or weight problems.

Wellness is a company priority, strongly supported by management. Depending on the activity, health promotion activities take place on company time or are split between company and employee time. Naturally, employee participation in any aspect of the wellness program is voluntary. Noranda makes the tools and opportunities for wellness available — ultimately employees decide on their level of participation.

2

Tom Gronert

Noranda Mining and Exploration, Geco Division
Manitouwadge, Ontario

At Noranda's Geco Division in Manitouwadge, Ontario, the serious-injury frequency has been cut from 21 in 1993 to 12 in 1994, the best in the base metal mine's 40-year history. The safety goal remains zero accidents. And Geco continues to work toward that goal by removing physical factors that lead to accidents and by boosting employee awareness of safe work habits.

The improvement has been the result of a new safety consciousness by all levels of employees. Employees are supported by a team of safety representatives and supervisors. The team handles safety issues that come up in day-to-day operations at regular meetings. In addition, safety reps make regular workplace inspections and develop education campaigns on maintaining safety at the mine. Geco gives prompt attention to any safety concerns or accidents. Accidents and close calls are thoroughly investigated and steps are taken to make necessary changes to procedure, design or equipment. It is significant to note that while the Geco mine is in its last year of production, employees and management remain vigilant about safety and continue to seek the goal of zero accidents. Says Tom Gronert, Director of Safety and Training: "At Geco we're fortunate in that every employee makes safety the number one priority in every job."

Geco employees and management remain vigilant about safety and seek the goal of zero accidents

3

Richard Peterson

Excel Extrusions

Warren, Ohio

Richard Peterson, a saw operator at Noranda's Excel Extrusion plant in Warren, Ohio, was accustomed to seeing accident-related injuries. Injuries from forklift mishaps, as a result of missing arm guards, or injuries from slippery floors caused by oil leaking off machines. Excel's worker compensation claims were higher than the state average. Clearly, something had to be done.

Working together, six Excel managers and six hourly-paid employees formed a steering committee. Their goal: to improve safety. With help from management consultants at Cleveland State University, they put together a safety program to make employees and management more aware of how to run the plant in a way that would cut the accident rate. Peterson and other members of the steering committee attended seminars at the university on recognizing and fixing safety threats. They set up communication programs within the plant on such matters as ergonomics, housekeeping, electrical safety and protective equipment to make employees and management more aware of what causes accidents and what can be done to prevent them.

After less than a year working on this issue, the results are positive. Excel now has an accident rate that is well below the state average. A safety-conscious culture is emerging. Compensation claims have been reduced by more than 60 per cent. Today, it's not unusual for an employee to stop an operation for a few minutes to remind a colleague about procedures and the use of safety equipment. Peterson, for his part, is enthusiastic about what's happening. "I'm not used to sitting in meetings," he says, "but the more I learned about the safety program the better I felt about it. We've got a long way to go but we've already come a long way."

4

John Wasserlein

Fraser Inc.

Stamford, Connecticut

"Our goal is to be the best of class in workplace safety," says John Wasserlein, the new president of Fraser Inc. Recently, the company had a poor record for safety, with an incident rate of 17 mishaps per 200,000 hours worked. World-class standards are almost a tenth of that. The key to improving, Wasserlein says, is in eliminating unsafe behaviours and changing attitudes at all levels.

Wasserlein has made a personal commitment to improving safety. And that starts with changing the way people on the job think about safety. It is important to reward, recognize and promote people only when they work safely. It is equally important to provide employees with an environment that is conducive to safe work habits.

Also key to improving safety is effective communication of safe work habits, proper training and creating a culture which motivates employees to work safely. "You've got to be willing to take a very firm stand with people who are involved in unsafe practices," Wasserlein says.

As a result, this Noranda Forest operation is rapidly improving its safety record. In the Canadian pulp and paper industry, the Edmundston, New Brunswick operation is now fourth for safety in its size category. And Madawaska, Maine, saw its rate dramatically reduced from 19 to two mishaps per 200,000 hours by the beginning of 1995.

It is important
to reward, recognize and
promote people
only when they work safely

ENVIRONMENTAL PERFORMANCE

setting the standard

Environmental compatibility is essential to Noranda's ability to do business. Customers, employees, shareholders and the communities in which we operate expect us to uphold the highest standards. We have proven by our actions that we often set the standard. We not only meet environmental compliance requirements set by governments; we exceed them when we believe it is the right thing to do.

Every new project must meet the exacting standards of external regulations and our internal managers before work begins. Old operations are being retrofitted to cut emissions. For example, regulations stipulate that sulphur dioxide emissions at our Horne smelter in Quebec be reduced by 50 per cent. We have reduced the Horne's emissions by 75 per cent and are working to reduce them further. New operations will be even cleaner, thanks to exciting new processes that meet our own goals of being effective, being energy efficient, using recyclable materials, minimizing toxic chemicals and virtually eliminating emissions and discharges. Some of these processes are being developed by our own scientists. We are working hard to create an environmentally conscious culture throughout our operations so that all our employees constantly think about environmental performance.

Third-party consultants auditing our initiatives have told us that while there are areas where we can improve, Noranda's environmental performance is at the leading edge of world industry.

The next two pages outline examples of our environmental work. In addition, the Noranda group produces comprehensive environmental reports, one for our mining and metals companies and one for our forest products operations. To receive a copy of these reports, please return the enclosed reply card.

A river runs over it

CANADIAN HUNTER DRILLS BENEATH RIVER IN UNPRECEDENTED PROJECT

When Canadian Hunter looked at bringing its four productive wells in the Moose Mountain region into its gathering system, only one thing stood in its way. The Murray River. Flanked by towering cliffs, the one-kilometre-wide river in northeastern British Columbia could not be traversed with conventional pipelining methods. In addition to the prohibitively steep cliffs, B.C. forestry and fisheries officials were reluctant to allow the usual method of digging a trench for a pipe. The situation called for a creative solution.

The result was an economic project, with a reduced impact on the environment

Canadian Hunter and its drilling partners drafted a dramatic plan. They used horizontal drilling techniques to bore a tunnel 45 metres beneath the river and strung a pre-welded 6⅝ inch pipe through it. The technique would not intrude on the valley environment and would connect otherwise marooned gas wells to the company's Noel Gathering System.

The execution was tricky. An initial attempt in 1994 failed. After a redesign, a second try took place a few months later with measures to make sure the failure did not recur.

After 32 days of drilling, the bit emerged on the opposite side of the valley, just 20 metres away from the target point. The gas pipeline was then pulled through the borehole without damage and a pressure test proved the project a success. Although pipeline drilling has been used elsewhere, notably to traverse railways and roads, the depth — no less than 180 metres at the tunnel's deepest point — is nothing short of unprecedented. The result was an economic project, with a reduced impact on the environment.

Joining forces

NORANDA PEOPLE WORK WITH GLOBAL GROUPS TO FIND SOLUTIONS

Noranda goes beyond the Company's direct concerns in its commitment to environmental issues. We are involved in a number of industry and broader business issues which have national, international and global impact. Whether the issue is global warming or trade and the environment, Noranda is working with other organizations to create recommendations and solutions. Noranda contributes to world environmental initiatives to make sure that they are effective, reasonable and practical.

One example of Noranda's involvement has been the Mine Environment Neutral Drainage (MEND) initiative. Noranda started this program in the 1980s to deal with the issue of wastes left from mine closures. MEND has already created solutions on dealing with tailings (waste rock left over from mining activities) at closed-down mines in predictable, timely, affordable and environmentally acceptable ways.

Another international initiative in which Noranda plays a pivotal role is the International Council for Metals and the Environment (ICME). ICME seeks to improve compliance throughout the world mining industry by sharing experiences on a broad range of environmental issues. ICME's current chairman is Noranda's Deputy Chairman, Alex Balogh.

And there is the World Business Council on Sustainable Development, made up of 140 major corporations. David Kerr, President and Chief Executive Officer of Noranda Inc., is a member of the executive committee. The goal of this global organization is to deal with environmental issues honestly and effectively.

Expert advice

NORANDA BRINGS EXTENSIVE ENVIRONMENTAL EXPERIENCE TO INTERNATIONAL TABLE

Where the well-known ISO 9000 standard measures industrial quality, ISO 14000 will set measurable global standards for industrial environmental management. Noranda is playing an important role in the development of the ISO 14000 standards, thanks to our extensive experience in environmental management.

Noranda is playing an important role in the development of the ISO 14000 standards

A technical committee of the ISO coordinating body is developing ISO 14000 standards in a number of areas, including environmental management systems, environmental auditing, environmental labelling, performance evaluation, life-cycle assessment, and terms and definitions.

Noranda participates in three ISO 14000 subcommittees in which we have extensive background. We have worked with the Canadian Standards Association for years on developing environmental standards. The Canadian technical advisory committee (made up of industry, standards bodies, consultants and government) is chaired by Dr. Frank Frantisak, Noranda's Senior Vice-President, Environmental Services.

Work on ISO environmental management and auditing standards is now well advanced. It is possible that before the end of 1996, ISO 14000 certification in environmental management and auditing will be possible.

Conserving energy

NORANDA COMPANIES TAP EMPLOYEE CREATIVITY

In 1991, Noranda's mining and metallurgy businesses committed themselves to lowering operating costs. They realized that energy consumption was a critical area to control, and that the environmental impact of reduced consumption would be positive. By 1993, we surpassed the goal of an overall 10 per cent reduction in specific energy consumption. Some sites greatly exceeded this goal.

Some of the measures were simple, ingenious, and the product of our employees' creativity. At the Brunswick Mining and Smelting mine site we began to shut off all electrical power to the mine at the end of the afternoon work shift. Vital equipment such as fans and mine lighting was equipped with automatic starters to re-engage them at once. Less important equipment stayed off until the next morning when it would be started on an as-needed basis. The result has been a saving of $250,000 in electrical costs annually.

The environment benefits from reduced energy use

At our CCR refinery, much of the required heat was escaping into the air above the cells holding the solution. Employees have begun using simple fabric covers to trap more of the heat, resulting in a dramatic reduction in CCR's steam consumption.

We now aim to reduce consumption by at least five per cent by the year 2000.

COST COMPETITIVENESS

leading the way

Many of the businesses in the Noranda group are "price takers". That is, basic product prices are set on world markets and all producers must accept these prices. Apart from achieving some price premium for product quality or service, an individual business cannot improve its performance through price increases that are not in line with the world market.

In this context, being an industry leader means being one of the industry's lowest cost producers. Anything less is a threat to the operation's survival.

Cost competitiveness starts with a high quality asset. That asset must be operated in a highly professional manner, using the most effective processes and technologies and a management style that gains the commitment of employees. And it must be focused on product quality and customer service.

Are we meeting our objective of being industry cost leaders? At our metallurgical facilities, productivity has increased 40 per cent over the past four years. Falconbridge's Sudbury operations have cut their nickel production cash costs by 55 per cent over the last five years. At Noranda Forest's OSB plants, cash production costs are the lowest in North America. Both Norcen and Canadian Hunter have radically restructured in order to get their finding and development costs in the top quartile.

In the following pages are five stories about our continuous efforts to be industry leaders in cost competitiveness.

Winning wheels

AMERICAN RACING EQUIPMENT, INC. WINS PENTASTAR AWARD

American Racing employees, like Maria Elena Navarro, play an integral role in producing high quality wheels for Chrysler.

The quality of Chrysler Corporation's motor vehicles depends on the quality of parts supplied by 1,200 outside companies. These parts represent 70 per cent of a Chrysler vehicle's overall value. To recognize superior supplier quality and service, Chrysler introduced the Platinum Pentastar Award, its highest expression of appreciation. One of the recipients, chosen from all of Chrysler's suppliers, was Noranda's American Racing Equipment, Inc. of Rancho Dominguez, California.

American Racing manufactures about one million aluminum wheels a year for Chrysler's Jeep Grand Cherokee and Wrangler models. One of only four manufacturers and 16 suppliers awarded the 1994 Platinum Pentastar, American Racing has won Chrysler's confidence in the fields of quality, technology, customer support, just-in-time delivery and pricing.

Aluminum wheels are increasingly popular, thanks to their appearance and fuel-saving lightness. Because they remain more expensive than conventional steel wheels, American Racing is looking for new ways to use less aluminum while providing the same strength and durability. Along with its own extensive research program, it has used the help of the Noranda Technology Centre's advanced computer-aided design team.

American Racing manufactures about one million aluminum wheels a year for Chrysler's Jeep Grand Cherokee and Wrangler models

The market is booming. Chrysler has increased its use of aluminum wheels in its models — to 40 per cent of all vehicles. Chrysler and American Racing believe that aluminum wheel use will continue to grow. To meet that need, in 1994 American Racing completed construction of a new plant in Queretaro, Mexico, to serve Chrysler's Mexican factories. A second new plant is under construction in Warsaw, Kentucky. This new plant will supply the automobile giant's U.S. Midwest operations. American Racing has promised to uphold and extend the qualities for which it has been honoured with the Platinum Pentastar. "American Racing Equipment has made a major commitment to us, so we are making a major commitment to them," remarked Chrysler's Kevin Galvin, Director of Chassis Purchasing.

Quality assured

NORTHWOOD RECEIVES MUCH SOUGHT-AFTER SEAL OF APPROVAL

Northwood Pulp and Timber's commitment to total quality management is now documented. Last May, its pulp division received certification of achieving the rigorous ISO 9001 1987 quality assurance standard as well as an even more stringent yard stick: the Canadian Standards Association's Q 9001 1991 quality standard. Both certifications independently measure a company's ability to deliver consistent quality, and are much sought after by businesses around the world.

Northwood went after the ratings because it wanted to exert greater control and discipline over how it maintained quality in all areas. A key component is document control — making sure that every change in procedure for a system is carefully documented and that those documents are carefully distributed so that no one works with out-of-date information. Then there are improvements through the corrective action system. "In some cases, we kept stubbing our toe on the same problems," says Les Murphy, Quality Assurance Co-ordinator at the Pulp Mill Division in Prince George, B.C. In the past, problems had all too often received band-aid fixes that weren't checked for efficiency and effectiveness. Northwood now requires follow up through task forces assigned to fix recurring problems.

Management review tools are critical. Planning and completion of process, customer-generated projects, and major expenditures on capital equipment and cost-reduction measures are subject to tough, thorough and consistent examinations to make sure they can achieve management's stated goals and objectives. "It makes sure these programs are based on true value and savings that result in real-world improvements to the operation," Murphy says. Northwood also keeps a vigilant eye on its suppliers, to make sure that they do not detract from the division's commitment to quality assurance. It recently required a supplier to improve cleanliness to prevent contaminating the pulp it was delivering to Northwood's customers.

Northwood was the first in its industry to receive the ISO 9001 / Q 9001 ratings

Northwood is not the only member of the Noranda group to gain ISO 9001 recognition. Another is Wire Rope — the only firm in its industry to receive similar certification. Northwood, which was also first in its industry in North America to get the ISO 9001 / Q 9001 ratings, remains committed to continuous improvement. Already it is working toward its next quality target, bringing the company up to the even tougher 1994 ISO 9001 standards.

"These programs are based on true value and savings that result in real-world improvements to the operation," says Les Murphy (right), Quality Assurance Co-ordinator at Northwood's pulp mill.

Breaking the mould

SELF-MANAGED TEAMS AT HORNE SMELTER PRODUCE RESULTS

Employees have had unprecedented freedom to run the job in the safest, most efficient and most productive way possible

When management at Noranda's Horne Smelter in Rouyn-Noranda, Quebec decided to replace one outmoded casting wheel in 1992 they also decided to replace some outmoded work habits. With the installation of the new casting wheel (used to hold moulds for the making of copper anodes) came a new way for shop-floor employees to operate in self-managed teams.

Working with the local trade union, the Horne developed a single job classification to replace nine old ones. Although their ranks were reduced by 30 per cent, the remaining employees now have unprecedented freedom to run the job in the safest, most efficient and most productive way possible. Now casting wheel employees perform a number of tasks, rotating among themselves. And more importantly, they are making daily decisions previously reserved for foremen and managers. The employees themselves now decide how the casting wheel should operate.

The benefits from this new way of self-managing have not been long in coming. Where it took two old wheels to produce 175,000 tonnes of copper in 1992, the new single wheel produced 210,000 tonnes in 1994. This is thanks both to the new equipment and processes and to the self-managed team. In addition, the reject rate dropped from 8.3 per cent of anodes cast to 5.4 per cent in 1994. This is in part owing to increased vigilance on the part of the hourly-paid employees, who have full authority to stop a casting if they believe that quality is compromised.

Safety has also improved under the teams. In 1992, there were 12 accidents resulting in compensable injuries; last year there was only one. In cooperation with facilitators who have replaced the foremen, the employees formed a group specifically for problem solving with a goal of improving safety and productivity. The proposals which have been implemented include machines to help with lifting (to avoid back injuries) and machines to clean the shop floor.

Members of the Horne casting wheel team include, from the far left: Sylvain Ricard, André Lafrenière, Alain Lambert, André Allen, Claude Côté (bottom step), René Picard, Jean-Louis Lessard, and Maurice Drouin.

Teaming up with the customer

NORANDA DEVELOPS A PROGRAM THAT BRINGS REWARDS TO BOTH SUPPLIER AND CUSTOMER

Traditional thinking about metal sales sees a process of simple buy and sell. At Noranda, this is not the case. Noranda Metallurgy's zinc metal sales team, working with a major steel maker, Dofasco Inc., has developed a program that brings significant rewards to both supplier and customer.

In the past, Noranda didn't fully understand much about how Dofasco was using zinc in its operations. That changed when the two companies discussed how they could break down traditional corporate barriers and get to know one another better. Now both Dofasco and Noranda have an extensive relationship in which Dofasco buys almost all of its zinc from Noranda. In turn, Noranda's team looks after Dofasco's zinc interests in a variety of innovative ways.

Noranda's team looks after Dofasco's zinc interests in a variety of innovative ways

The Noranda team is made up of people from sales, production, the Noranda Technology Centre, logistics, computing, accounting and market development. Noranda Technology Centre researchers offer Dofasco technical support for maximizing zinc use on the galvanizing lines. Its contribution has helped Dofasco realize significant savings by improving coating quality and production flexibility. In turn, Dofasco has designated Noranda as its sole supplier of at least 27,000 tonnes of zinc a year.

The relationship has become so collaborative that our zinc team and its counterpart at Dofasco are now linked by electronic mail so they can stay in touch on a day-to-day basis. And Noranda Metallurgy is developing similar relationships with other firms. Duracell, the battery giant, is sourcing all its North American zinc needs from Noranda. A zinc team market development specialist is assisting the structural steel industry to develop a market for galvanized steel studs for house construction. Says Dan McNeill, who leads the Noranda zinc metal coordination team: "Traditional buying and selling of metals is a barren thing. You have to add value to the relationship. Now we've got a lot of people at our company connected to our customers. They're happy and we're happy."

The power of ten

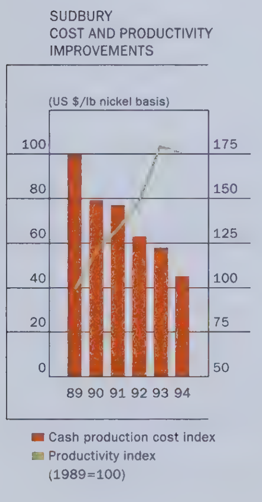
COST CUTTING AND PRODUCTIVITY IMPROVEMENTS ALLOW NORANDA TO IMPROVE AND EXPAND

Four years ago, Noranda's mining and metallurgical companies decided on a broad goal: reduce costs by 10 per cent in real terms and improve productivity. This was achieved by procedure and process refinements, energy savings and a substantial reduction in employment levels. Each operation is unique, and solutions were tailored to each site. Cost reduction and productivity became a top priority in the mines, the exploration offices, the smelters and refineries. Even custodial staff found ways to equip washrooms more cost effectively. The overall objective has been met — and surpassed at many operations. The cost reductions and productivity improvements allowed us to sustain our operations during the difficult years of the recession.

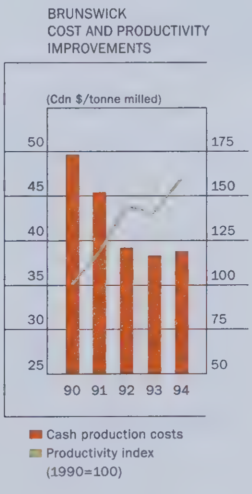
Almost all of Noranda's mining and metallurgical operations are among the world's lowest cost producers. Cost cutting since 1990 has ranged from 5 to 30 per cent, depending on the operation, and represents a combined annual saving of $200 million. Zinc cash production costs at Brunswick Mining and Smelting declined 22 per cent and productivity soared by 59 per cent. Over the last five years, nickel cash production costs at Falconbridge's Sudbury operations were down 55 per cent and productivity was up a dramatic 76 per cent. Metallurgical operations at the Horne copper smelter, CCR copper refinery and CEZinc refinery have demonstrated a 40 per cent productivity improvement. And cash production costs at Hemlo Gold are the lowest of the North American gold producers.

These achievements form a solid base from which Noranda can move forward on new projects to improve and expand our assets. Cost reductions and improving metals prices have put us in a strong position to finance exploration and acquisitions.

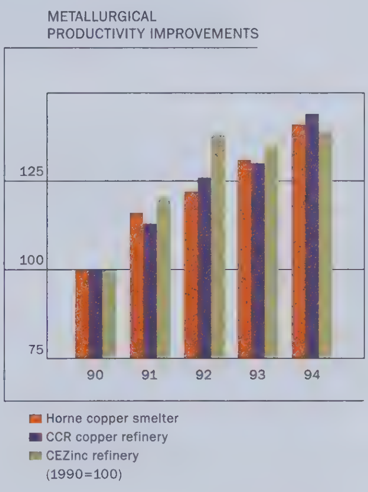
Although costs are at an all-time low and productivity at an historical high, we intend to maintain our leadership in these areas. Noranda's mining and metallurgical companies are now committed to reducing waste in all its forms by 20 per cent over the next three years. For example, we will be looking at ways to reduce mine dilution (waste rock mined with valuable ore). A one per cent reduction in dilution at one major mine can save $2 million to $3 million a year.



Cash production costs at Falconbridge's Sudbury operations are down 55%, productivity is up 76%.



At Brunswick, cash costs are down 22%, productivity is up 59%.



Productivity is up 40% at Noranda's metallurgical operations.

value investing

To be considered "premier", a company must produce a rate of return that is consistently high relative to its competitors. For this to happen, Noranda must have the right mix of assets, and those assets must be operated in a safe, environmentally conscious and cost competitive fashion.

Beyond these factors, Noranda must consistently make the right decisions on capital spending. Timing must be right, the price must be right, and the long term business case must be right. Decisions to enter businesses, to expand or

build new capacity, to introduce new processes or to make an acquisition require large amounts of capital in natural resources businesses. A sound framework for these decisions is critical.

In the following pages, we talk about several of Noranda's investment decisions. The impact of three of these has already been positive. The decision to enter a new business is one which the future will judge. The final story is about people — the critical resource in any organization — and how two companies have reorganized in order to build for the future.

Banking on deposit

THROUGH A SERIES OF CONTINUOUS IMPROVEMENTS, THE NORANDA FOREST MDF PLANT HAS DRAMATICALLY IMPROVED ITS PERFORMANCE

When Noranda Forest took over the operation of North America's first medium density fibreboard (MDF) plant in Deposit, New York in 1990, the operation needed improvement. The mill was unprofitable and underutilized; employees were pessimistic about their future and customers were complaining about the inconsistency of the product and poor customer service. All that has changed.

Through a series of continuous improvements, the Noranda Forest MDF plant has dramatically improved its performance.

MDF is a fine-fibre, homogenous panel product used by cabinetmakers, furniture manufacturers, and a host of other value-added wood fabricators. Because surface smoothness and tight dimensional tolerances are important to MDF customers, Noranda Forest first improved the consistency of the product. In addition, a new advanced computerized sawing system was installed that enabled the plant to offer customers a broader range of product sizes while improving the mill's manufacturing and finishing efficiencies.

There were other improvements as well. Plant management successfully instilled a "can-do" attitude among the employees. Today they work as a team to complete projects, make decisions and cross-train on a variety of production tasks. Employees participate in a profit-sharing program and are committed to making the plant a success for the long term. In addition, Noranda Forest's sales and marketing staff have built tight relationships with customers so that the Deposit mill can stay in touch with customers' precise needs.

Coupled with a favourable market for MDF, the continuous improvements at the mill have turned the plant around dramatically. In 1994, production was 25 per cent above the operation's designed capacity. Today, the plant is profitable, thanks to steady improvement in productivity, quality and management-employee commitment.

Encouraged by these results, Noranda Forest is now modernizing the plant's refinishing operations. This upgrade should increase output by an additional 20%. It will also reduce unit costs by 6% and improve product quality.

Today, Noranda Forest's MDF plant is profitable, thanks to steady improvement in productivity, quality and management-employee commitment

The nickel basin

FALCONBRIDGE IS RENEWING AND GROWING ITS ASSET BASE

Falconbridge has proven to be a highly successful acquisition for Noranda. Noranda's initial investment of $334 million in 1988, which has increased to $965 million in 1994, is now valued at about $2 billion in the marketplace. Over that time, Falconbridge has accomplished much to make that increase a reality. It has slashed unit production costs by 55 per cent and boosted productivity at Sudbury, Ontario by a stunning 76 per cent. The company is now the lowest cost major producer of nickel in the Western world. In addition, Falconbridge has sold its non-core assets while expanding profitable lines, such as its custom feed business. It has reduced debt over the five-year period by approximately $1.7 billion.

Falconbridge is making a lot of progress in renewing and growing its asset base. In February 1995, Falconbridge made the decision to spend $486 million to develop its Raglan nickel ore body in northern Quebec. This mine is expected to produce nickel at a cash cost significantly less than US$2 a pound, and increase refined nickel production from Falconbridge's ores by 56 per cent over 1994 levels.

The company also has a number of promising projects.

The Collahuasi deposit in Chile, one of the world's largest undeveloped copper deposits, has a planned capacity of

Falconbridge is now the lowest cost major producer of nickel in the Western world

350,000 tonnes of copper per year. Falconbridge has a 50 per cent interest in the project. Continuation of the No. 3 mine at Kidd Creek, near Timmins, Ontario, remains a cost-effective possibility because of newly found extensions to the existing ore body. And there are possible new deposits at the Craig mine near Sudbury, Ontario, where drill holes have intersected encouraging evidence of new deposits of nickel, copper and cobalt. In West Africa, drilling results from the Biankouma nickel laterite joint venture in Côte d'Ivoire indicate a substantial discovery.

Making magnesium

NEW TECHNOLOGY PROMISES A PROFITABLE NEW PRODUCT

For years, large quantities of mine tailings have stood in the vicinity of Thetford Mines, Quebec. Miners have known that the waste tailings were astonishingly rich in magnesium. But no one knew how to economically extract the metal from the tailings. Until now.

Researchers at the Noranda Technology Centre in Pointe Claire, Quebec have developed a proprietary process to extract the valuable metal out of the tailings hills, which contain as much as 24 per cent magnesium. Known as the Magnola process, Noranda's technology, coupled with exciting new prospects for the metal, promises a profitable new product for the Company.

The combination of Noranda's technology, the grade of the tailings and competitive electricity prices in Quebec could make Noranda one of the lowest cost producers of magnesium in the world.

The growth prospects for magnesium are exciting. Most forecasters anticipate a significant increase in demand during the next decade. Used as an alloy in aluminum casting, magnesium provides strength and stiffness in such products as beverage cans — the use of which is rapidly growing in Asia and Europe. Lightweight and strong, magnesium components are also increasingly used by the automotive industry in response to ambitious U.S. legislation that seeks to boost mileage through lighter-weight cars. This use will grow dramatically over the next decade. In 1990 the average amount of magnesium used in a car was one pound; in 1994 it was over three pounds; in 1998 that amount should be 15 pounds.

With the outlook for magnesium exceptionally strong, Noranda — along with partners — is now building a pilot plant at the Noranda Technology Centre to fine-tune the Magnola technology. Commercial use of the technology may begin by the turn of the century, making Magnola one of the world's leading magnesium producers.

Poised for profit

NORANDA'S PULP AND PAPER OPERATIONS PREPARE FOR MARKET UPSWING

You can't avoid cyclical downturns in forest product markets. But you can prepare your operations to take full advantage of the eventual upswings. Happily, that is what Noranda Forest's pulp and paper operations have done with their $1 billion in assets. As we enter a period of strong prices, recent asset improvements have put Noranda Forest in a position to maximize profit. Although they are already among the industry's lowest cost producers, Noranda Forest's pulp and paper operations have further honed their costs, added capacity and focused their operations to exploit specialty markets.

At Noranda Forest's Thurso, Quebec pulp mill, the company increased capacity during 1989–90. Output capability was boosted by 60 per cent, allowing the facility to lower its per unit costs. Since then, production capability has been increased

As we enter a period of very strong pulp and paper prices, recent asset improvements have put Noranda Forest in a position to maximize profit in the good times

over and above designed capacity. Now Noranda Forest is spending $40 million to give itself the ability to separate out different tree species in order to tap niche markets that require particular kinds of tree pulp. This should have a direct positive effect on operating results.

The newsprint mill in Masson, Quebec has been updated to accept recycled fibre. In this cost-effective joint venture, Noranda Forest can take advantage of growing customer requirements for paper with recycled content.

The Madawaska, Maine mill is spending US$30 million to upgrade existing paper machines to take advantage of specialty markets, including thermal papers (commonly used in fax machines) and heat sensitive sticky-label stock. In addition, the plant has new flexibility to switch easily between coated and uncoated paper production. Early this year, Noranda Forest announced that it will build a $123 million cogeneration plant to provide low-cost steam for use at the Edmundston, New Brunswick and Madawaska operations.

With major environment-related expenditures scheduled to be completed by mid-1995, Noranda's enhanced pulp and paper operations will produce higher returns as a result of the expected strong product prices.

Breaking tradition

NORCEN AND CANADIAN HUNTER DEVELOP INNOVATIVE WORK PROCESSES

Large oil and gas companies bring significant corporate resources to projects that junior firms simply can't muster. But the big firms are often rightly accused of being too cumbersome and divorced from the action in the field. Thanks to innovative reorganizations, both Norcen Energy Resources Limited and Canadian Hunter Exploration Ltd. are combining the strength of large size with the nimbleness of junior oil and gas firms.

Each company has divided much of its corporate office staff into teams and focused them around key operating areas, mostly in western Canada. In traditional petroleum company hierarchies, professions are lumped together: geophysicists work with other geophysicists on global corporate projects; all engineers work together, as do land professionals, and so on. What Norcen and Canadian Hunter have each done is to break down these traditional groupings and put different professions together focused on operating areas or projects. At Norcen, each team is staffed with geologists, geophysicists, land professionals, engineers and accounting staff. At Canadian Hunter, similar groups work together on exploration and production.

For Norcen and Canadian Hunter these moves are a dramatic shift in thinking, and they are still evolving. And while each team can focus on local exploitation there remains an overarching coordination provided by a steering group so that new and ongoing projects can be assessed.

The result is that each team sees itself as a business unit and takes a proprietary interest in its endeavours. Working with team coordinators, the groups operate much the way smaller companies would, instead of feeling lost in the corridors of large corporations. They are intimately involved with their respective areas and bring a value-added mentality to their work.

management's discussion and analysis

OVERVIEW

Management's Discussion and Analysis provides a review of the significant developments affecting Noranda's performance during 1994, initiatives taken and results achieved, and factors expected to impact on future operations.

Noranda is a diversified producer of natural resource products, committed to enhancing shareholder value by following policies that improve the productivity of existing businesses, encourage the development of strong decentralized management teams, capitalize on opportunities for synergies between its businesses and facilitate opportunities, internal or external, for growth of these businesses, as well as minimize business and financial risks.

The scope of Noranda's diversity is best demonstrated by the chart on page 31, which shows the after-tax sensitivity of earnings to a 10% change in price for each of Noranda's principal products. While each product is cyclical, the relationship of each product's cycle to the general economy may be different.

Natural resource products are sold in world markets at world prices. Noranda generally does not hedge foreign currency revenues. As a result, Noranda has significant exposure to fluctuations in currency values. Noranda manages its balance sheet foreign exchange risk through an offset of foreign currency assets normally financed by direct borrowing in the same currency, or through use of forward markets. Noranda believes that short-term interest rates are generally correlated to levels of economic activity and thus inflation and commodity prices. For this reason, Noranda has tended to maintain much of its debt at floating interest rates.

In June 1994, Noranda subscribed for 31.9 million shares of Falconbridge Limited at a cost of $561 million as part of an Initial Public Offering (IPO) which raised more than $1.3 billion for Falconbridge. As a result, Noranda now owns 46.4% of Falconbridge, with Trelleborg AB of Sweden holding 28.3%, and the public 25.3%. The results of Falconbridge, which were consolidated prior to July 1994 on a 50% proportionate joint venture basis, are fully consolidated for the balance of the year.

In February 1993, Noranda sold its 49% interest in MacMillan Bloedel Limited, with net proceeds of $931 million received in three instalments: $293 million on closing, $319 million in August 1994 and $319 million in February 1995.

These transactions are the major reasons for the change in asset mix, so that, including cash and short-term notes, securities and instalments receivable, the Mining and Metals group now represents 65% of total assets, Forest Products 19%, and Oil and Gas 16%.

QUARTERLY EARNINGS (LOSS) BY GROUP

	1994					1993				
($ millions)	1st	2nd	3rd	4th	Year	1st	2nd	3rd	4th	Year
Mining and Metals	17	51	62	99	229	(3)	22	(10)	12	21
Forest Products	27	23	28	32	110	16	8	10	14	48
Oil and Gas	23	18	11	(77)	(25)	11	4	16	16	47
Operating earnings	67	92	101	54	314	24	34	16	42	116
Corporate expense	(7)	(4)	(2)	(6)	(19)	(4)	(2)	(6)	(12)	(24)
Investment and other income	1	20	9	100	130	11	(9)	4	48	54
Cost of borrowing	(17)	(27)	(30)	(21)	(95)	(32)	(22)	(22)	(22)	(98)
Loss on the sale of MacMillan Bloedel	–	–	–	–	–	(30)	–	–	–	(30)
Closure provision, Atholville pulp mill	–	–	–	–	–	–	–	–	(55)	(55)
	(23)	(11)	(23)	73	16	(55)	(33)	(24)	(41)	(153)
Earnings (loss)	44	81	78	127	330	(31)	1	(8)	1	(37)
Earnings (loss) per common share	$0.18	0.35	0.35	0.57	$1.45*	$(0.25)	(0.07)	(0.08)	(0.01)	$(0.41)

*$1.42 on a fully diluted basis.

CONSOLIDATED OPERATING RESULTS

1994 sales at $6.6 billion were 26% higher than in 1993 primarily as a result of higher commodity prices, a weaker Canadian dollar and the full consolidation of Falconbridge in the second half of 1994. The full consolidation of Falconbridge has had the effect of increasing not only sales, but expenses, including depreciation and taxes, and most categories on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Financial Position. However, there was no impact on earnings as a result of the full consolidation of Falconbridge.

Markets for virtually all the base metals improved during 1994 in response to stronger industrial demand, especially in the United States, and a reduction in shipments from Eastern Europe. The trend was similar for most forest products, with significant improvement in the markets for building materials and, in the fourth quarter, pulp. Only the oil and gas sector experienced weak demand, specifically natural gas, late in the fourth quarter of 1994.

Investment and other income in 1994 included gains of $88 million ($55 million after tax) and $93 million ($67 million after tax), respectively, on the sales of Norandex in September and Central Canada Potash at year end. In addition, investment and other income included dilution gains of $61 million, recorded as a result of a reduction of 3.6% of Noranda's interest in Falconbridge as part of its June 1994 IPO, and a 1.4% reduction in Noranda's interest in Hemlo Gold Mines Inc., a result of Hemlo Gold's acquisition of a larger ownership in the Holloway joint venture.

Provisions included in investment and other income during the year totalled $132 million ($88 million after tax): to provide for diminution in value of certain foreign mining and metals investments of $77 million ($50 milllion after tax); various other long-term investments of $34 million ($23 million after tax); and to provide for legal contingencies of $21 million ($15 million after tax).

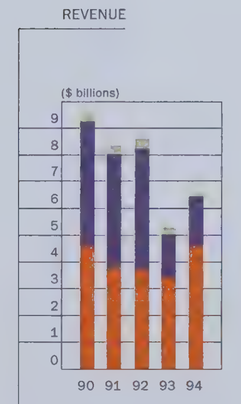
Earnings (losses) in associates is represented primarily by Norcen Energy Resources Limited. Noranda's share of the loss reported by Norcen for the year 1994 was $54 million. The loss was due to a write down of international properties and other provisions relating to a refocusing on core businesses, totalling $61 million after tax.

The increase in the provisions for income and production taxes was largely the result of the higher level of earnings from the Mining and Metals and the Forest Products groups.

The industry segment tables below show the comparative revenue and operating earnings after tax by group. The table on page 30 shows earnings (loss) by quarter for the years 1994 and 1993.

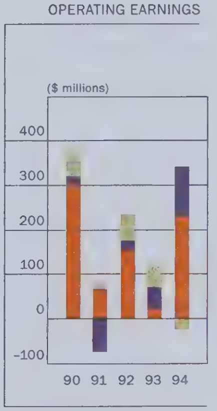
Looking at results from this group perspective, operating earnings were $314 million in 1994, up almost $200 million from 1993. All groups continued to make progress on cost reduction initiatives and productivity gains. Improved prices, particularly for copper,

REVENUE



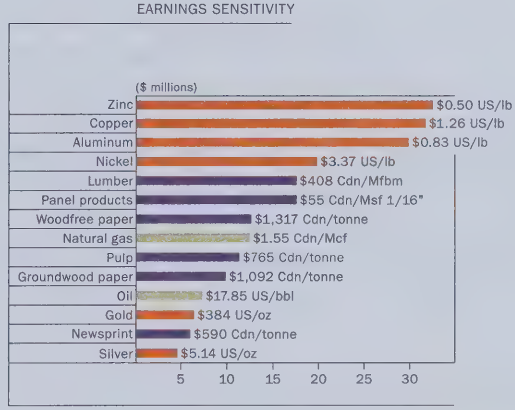
Mining and Metals
Forest Products
Oil and Gas

OPERATING EARNINGS



Mining and Metals
Forest Products
Oil and Gas

EARNINGS SENSITIVITY



Noranda's after-tax earnings are sensitive to changing commodity prices. This chart shows the annualized impact on Noranda's net earnings of a 10% price change by product, excluding the impact of forward hedging contracts. For example, a 10% rise or fall in zinc prices would increase or decrease, respectively, Noranda's annualized earnings by $32 million. This chart also ranks the level of impact each commodity has on Noranda's earnings. Calculations are based on 1995 planned production volumes and fourth quarter 1994 prices.

nickel, aluminum, and toward the end of 1994 zinc, increased the operating earnings of the Mining and Metals group to $229 million from $21 million in 1993. The Forest Products group increased its operating earnings contribution to $110 million, due mainly to buoyant markets for building materials and pulp. The Oil and Gas group's higher gas prices in the first half of 1994 were more than offset by asset write downs, other provisions, increased depletion expense, and a significant decline in gas prices by year end. As a result, this group reported an operating loss of $25 million compared with earnings of $47 million in 1993.

LIQUIDITY AND CAPITAL RESOURCES

Cash realized from operations before working capital changes was $1.2 billion in 1994, more than double the amount in 1993, attributable mainly to higher earnings from operations. Working capital increased in 1994 by $291 million as a result of an increase in accounts receivable and inventories, due largely to the impact of higher metal prices, the weaker Canadian dollar and slightly higher inventories of aluminum.

Spending of $705 million on capital assets and other investment activities was $210 million more than in 1993. New capital investments were in part related to maintaining and modernizing current operations, but also included new projects such as the oriented structural board (OSB) mill in Mississippi ($78 million), land and reserve acquisitions by Canadian Hunter ($56 million), the Louvicourt mine project in Quebec ($37 million), two secondary treatment projects by Noranda Forest ($36 million), Block 4 development at Hemlo Gold's Golden Giant mine ($12 million), the development of the Craig mine in Sudbury ($9 million) and the Holloway mine project ($11 million), completion of Noranda Forest's Highland expansion ($13 million), modernizations expenditures at Madawaska ($26 million), and pre-feasibility expenditures on Collahuasi ($12 million).

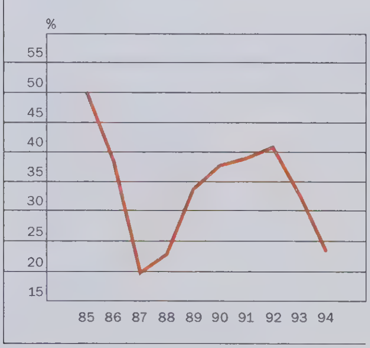
Proceeds from asset sales at $798 million were significant, with the majority of the proceeds coming from the sales of Norandex, Central Canada Potash and the second instalment on the sale of MacMillan Bloedel. Proceeds from asset sales in 1993 of $653 million consisted mainly of the sale of 12 million shares of Noranda Forest Inc., Master Shield, Kerr Addison Mines Limited's investment in Anderson Exploration Inc., the first instalment on the sale of MacMillan Bloedel and Noranda Forest's 50% interest in Island Paper.

Net cash realized from operations after taking account of capital spending, asset sales and other investment activities amounted to $1.05 billion in 1994, compared with $909 million in 1993.

During the year, the book value of Noranda's common shares increased by $315 million. $250 million of this is accounted for by holders of Noranda's preferred shares Series E who converted a total of 12.5 million shares into Noranda common shares, on a one-for-one basis at $20 per common share. Another $56 million was accounted for by the conversion of 1.9 million preferred shares Series B into 2.5 million Noranda common shares. These conversions were initiated in connection with the redemption of the Company's preferred shares Series E and Series B.

Consolidated long-term debt, excluding the current portion, decreased by $27 million from 1993, even after taking account of the impact of consolidating 100% of the debt of Falconbridge. Consolidated lines of credit at December 31, 1994, excluding Norcen, were $2.0 billion, of which $200 million were drawn. In addition to available lines of credit, consolidated cash and short-term notes totalled $1.0 billion at year end. As at December 31, 1994, Noranda's consolidated net debt as a percentage of capitalization was 23%,

CAPITALIZATION RATIO



Net debt as a percentage of capitalization

slightly better than Noranda's target range of 25% to 35%. Net debt has been defined as total debt less cash and short-term notes, and capitalization is defined as net debt plus equity, minority interest and other long-term liabilities. Excluding partially-owned subsidiaries, net debt was 26% of capitalization.

ENVIRONMENT

Noranda is committed to the principle of sustainable economic development. We strive to be exemplary leaders in environmental management by minimizing the environmental impact of our operations on the public, employees, customers and property, and by supporting the application of scientific research, limited only by technological and economic viability. This effort is complemented by an internal environmental audit process. Results in 1994 confirm that Noranda continues to make progress.

Noranda continues its participation in a number of international organizations which deal with trade and environmental relationships, global environmental issues and environmental management systems applicable to Noranda. Those environmental issues having a potential for non-tariff trade barriers are dealt with promptly and jointly with the global business community.

Expenditures on environmental research, site restoration and new facilities to meet or surpass environmental standards increased by $24 million to total $201 million in 1994, of which $71 million was capitalized. For 1995, total environmental expenditures are projected at $200 million, including capital expenditures of $65 million. At December 31, 1994, Noranda had provided $248 million in its accounts for future site restoration and closure costs, including $99 million provided in 1994.

Notwithstanding these substantial provisions, it can be expected that any future changes in regulations and Noranda's self-imposed standards may have an impact on the future profitability of Noranda's operations.

OUTLOOK

The outlook for 1995 is for continued market strength in the United States and Asia, which will be joined by recoveries in Europe and Japan. This should make 1995 a year during which all the major economies of the world will operate at higher growth rates. Based on these factors, together with an improved asset mix and most operations at the low end of the cost curve, earnings and cash flow from operations in 1995 are expected to exceed 1994 levels. Combining this with its improved financial position, Noranda is in a position to aggressively, but selectively, increase its asset base.

A reorganization of Noranda Minerals Inc. in 1994 resulted in the creation of two new companies (see discussion on page 35).

Specifically, Noranda Mining and Exploration Inc. has been formed with one overriding objective — to find and/or acquire additional base metal ore reserves, without limitation as to any specific geographic region or proximity to Noranda's metallurgical infrastructure.

Noranda Metallurgy Inc. is moving ahead with the magnesium pilot project, with the ultimate objective of building a 56,000 tonne-per-year magnesium plant to take advantage of a growing market, metallurgical competencies, proprietary technology and access to reserves.

On February 9, 1995, Falconbridge announced that, together with Minorco UK, it agreed to the purchase from the Shell Petroleum Company Limited of its one-third interest in the Collahuasi copper deposit in Chile. This transaction now gives Falconbridge a further one-sixth interest, or 50% ownership in the Collahuasi copper joint venture.

Following the IPO of its common shares, Falconbridge's financial position is much stronger. Together with anticipated better demand for nickel, copper and zinc, Falconbridge should be able to finance its capital projects from internally generated cash flow. The development of the Raglan nickel deposit in Quebec, the expansion of the Nikkelverk refinery in Norway and the funding of Falconbridge's 50% share in the Collahuasi copper deposit in Chile should continue without major concern for financing.

Hemlo Gold is proceeding with the Holloway gold mine development, thus adding to annual production and reserves. In addition, the combination of a significant exploration program and $200 million of cash assets will assist Hemlo Gold in pursuing growth opportunities through acquisitions or mergers and realizing on its strategy of doubling its annual production of gold.

The proceeds from the final instalment on the sale of MacMillan Bloedel, combined with an improved earnings base in 1994 and a positive outlook for 1995, have placed Noranda Forest in a growth mode. Internal expansions and modernizations are expected to be complemented by strategic acquisitions.

Norcen has accomplished most of its restructuring objectives. Staff has been reduced substantially and general and administrative expenses are projected to fall further in 1995. The company has been reorganized to concentrate on identified core businesses

and competencies. With the rationalization of the North Canadian Oils Limited operations well underway, and with recent promising acquisitions in the Gulf Coast offshore region, Norcen is in a better position to deal with the current weak gas market, and to capitalize on opportunities as they arise.

Canadian Hunter is highly leveraged to gas markets, and as a result will concentrate in the short term on reducing administrative costs and prioritizing its capital expenditure program in order to fund all requirements from internally generated cash flow. As a result, Canadian Hunter will be somewhat constrained until gas markets recover. However, forecasted longer-term increases in demand for natural gas bode well for Canadian Hunter.

Development of natural resources is highly capital intensive. Noranda relies on financial markets for the capital required to finance its major resource-based investments. Noranda's business interests are best served by low interest rates that result from a stable currency.

The debate over the future of Quebec has produced strains on Canadian financial markets and consequently on many business enterprises including Noranda. The main impact of the result of the referendum on Quebec sovereignty on the business interests of Noranda lies in our continued ability to have secure access to financial markets, international markets for products and to natural resources on an internationally competitive basis.

Recent interest rate increases in the U.S., high government deficits in Canada and the political uncertainty in Quebec suggest a turbulent period for the Canadian dollar and interest rates. Noranda also relies on secure access for all its products to the U.S. and to other important markets in Europe, Asia and Latin America. Noranda's exports from Quebec currently benefit from both the North-American Free Trade Agreement (NAFTA) and the General Agreement on Tariffs and Trade (GATT) on the basis of Canada's status as a contracting party. It is important that Noranda's products continue to enjoy the benefits of those trade agreements.

The past year has seen a significant desensitization of Noranda's earnings to floating interest rates. On a consolidated basis in 1995, the sensitivity of Noranda's annualized earnings to a 1% change in interest rates is expected to fall to $6 million from $13 million in 1994. There are two reasons for this. First, floating rate debt was reduced in 1994. Second, current consolidated cash balances of $1 billion are invested at floating rates in high-quality short-term instruments.

Each U.S. one cent change in the value of the Canadian dollar increases or decreases Noranda's annualized earnings by approximately $22 million. With this in mind, and notwithstanding that it is not generally Noranda's policy to hedge future revenues, a total of US$490 million was sold forward as at December 31, 1994, to hedge approximately 9% of expected 1995 U.S. dollar sales. At the end of 1993, US$464 million had been sold forward. An additional US$115 million of U.S. dollar sales revenues has been sold forward relating to the years 1996–1998. In addition, some 70% of Noranda's 1995 primary aluminum production has been assured a minimum price of US$0.86/lb. through forward sales and through put and call options.

Including the recently announced $130 million acquisition of the additional one-sixth interest in Collahuasi by Falconbridge, capital expenditures in 1995 are expected to be 50% above those in 1994. In addition to maintenance and environmental capital, some of the more significant expenditures planned for 1995 are: continuing development of the Holloway project ($29 million); American Racing's new aluminum wheel plant in Kentucky ($39 million); Noranda Forest's new OSB mill in Mississippi ($40 million); the rebuild of the OSB mill at La Sarre, Quebec ($50 million); the pulp mill upgrade at James Maclaren ($40 million); Noranda Forest's Edmundston, New Brunswick cogeneration plant ($30 million); the Raglan nickel mine development in Northern Quebec ($63 million); development of the deep zone at Kidd Creek in Timmins ($40 million); the Craig nickel mine development in Sudbury ($50 million); and the Bell Allard zinc project in Matagami, Quebec ($9 million).

Based on our current projections for the global economy, the markets for our products, and our operations' forecasts, we expect that 1995 results should be better than those in 1994.

mining and metals

FINANCIAL SUMMARY

($ millions)	1994	1993
Sales	4,602	3,434
Operating earnings	229	21
Average net assets employed	3,264	3,362
Cash from operations*	629	500
Capital expenditures	297	268
Employees	18,545	19,202

*Cash flow before interest expense and investment income

PRODUCTION VOLUMES

	1994	1993*
Mine production (000 tonnes)		
Ore treated	20,753	19,490
Copper	183	214
Zinc	510	484
Nickel	68	62
Lead	80	71
Potash	1,125	887
(000 oz.)		
Silver	13,000	13,317
Gold	506	516
Refined metal production (000 tonnes)		
Copper	499	477
Zinc	356	358
Nickel	99	81
Aluminum	208	220
Lead	79	74
(000 oz.)		
Silver	26,360	30,111
Gold	980	1,133
Fabricating (000 tonnes)		
Aluminum sheet	125	116
Aluminum foil	93	83
Other aluminum	16	13
Steel wire rope	28	25
(000 units)		
Aluminum wheels	2,632	2,214
Steel wheels	966	956

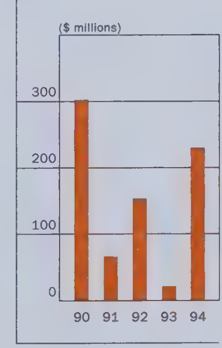
*Production includes 100% of Falconbridge with 1993 comparative figures restated.

Noranda's Mining and Metals group, directly and through subsidiary and associated companies, operates 18 mines, 11 metallurgical plants and 11 fabricating facilities primarily in Canada and markets its products worldwide. The Mining and Metals group is one of the world's largest producers of zinc and nickel, and is a significant producer of primary and fabricated aluminum, copper, lead, sulphuric acid, cobalt, gold, silver and wire rope. It is also a major recycler of secondary copper, nickel and precious metals. Exploration for minerals is conducted in North America and selectively on a worldwide basis. The Mining and Metals group has 18,545 employees.

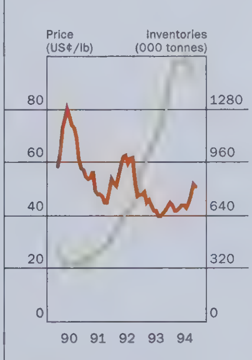
The Mining and Metals group conducts its activities through five independently managed companies/business units. Late in 1994, Noranda Minerals Inc. was reorganized in order to better focus on its core strategies and competencies. As a result, two new successor companies were formed: Noranda Mining and Exploration Inc., and Noranda Metallurgy Inc. Certain information for the year 1993 has been restated to accommodate the new organizational format. Noranda Mining and Exploration manages the Company's interest in four wholly-owned mines, exploration programs, 63.3% owned Brunswick Mining and Smelting Corporation Limited, 60.9% owned Novicourt Inc., and the beneficial 91% interest in the Heath Steele joint venture. Noranda Metallurgy manages the Company's wholly-owned copper and zinc metallurgical facilities, and markets metal products worldwide. Wholly-owned Noranda Aluminum is an integrated producer of aluminum metal, aluminum sheet and foil, aluminum and steel automotive wheels, comprising eight operations in the United States and two in Mexico. The Company also has a 46.4% interest in Falconbridge Limited, an international mining and metals corporation, and a 44.1% interest in Hemlo Gold Mines Inc.

The Mining and Metals group also includes several corporate investments including 97% owned Rudolf Wolff & Co. Ltd., a metals and commodities broker, 76.5% owned Brenda Mines Ltd., 51.1% owned Kerr Addison Mines Limited, and holds a 90% interest

MINING AND METALS OPERATING EARNINGS

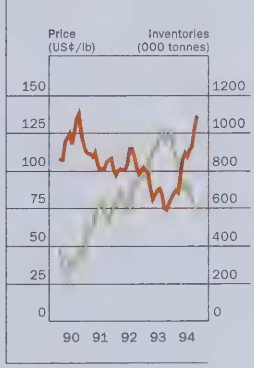


ZINC



London Metal Exchange price
Inventories

COPPER



London Metal Exchange price
Inventories

in Wire Rope Industries Ltd. Wire Rope is Canada's largest fabricator of steel wire rope, with two manufacturing plants and 27 industrial supply distribution centres in Canada and the western United States.

NORANDA MINING AND EXPLORATION

Noranda Mining and Exploration, through its management of Noranda's direct and indirect ownership in seven mines, is a major producer of zinc, copper, silver, lead, and sulphuric acid. In addition, it manages an exploration and acquisition program.

Operating revenues increased to $540 million in 1994 from $366 million in 1993. The Brunswick, Matagami and Central Canada Potash mines operated for the full year as opposed to 1993, when temporary closures were taken due to market conditions. The resulting operating loss of $13 million compares with a 1993 loss of $76 million. The loss includes additional reclamation provisions for the Mattabi Mines Limited mine site in Northern Ontario, as well as care and maintenance expenditures for the Heath Steele, New Brunswick property in preparation for the resumption of commercial operations in the fourth quarter of 1994. If these additional costs are excluded, operating earnings would have been $6 million for 1994. Major reasons for increased revenues were the Canadian–U.S. dollar exchange rate, stronger metal prices, particularly zinc and copper, and reduced treatment charges for mine production. Cost containment continued as a major priority for all operations, with further unit cost reductions realized in 1994 at the Brunswick smelter, Matagami and Central Canada Potash.

A decision was made to reopen the Heath Steele mine in the fourth quarter as a result of increasing metal prices and the opportunity to lock in a satisfactory exchange rate for U.S. dollar revenues over the remaining life of the operation. Projected U.S. dollar revenues of $146 million have been hedged at an average exchange rate of Cdn$1.43 over the four-year reserve life. The Louvicourt mine, which is 45% owned by Novicourt Inc., commenced mill operations in early summer and should attain commercial production levels of 2,400 tonnes per day in early 1995. Effective December 31, 1994, the assets of Central Canada Potash were sold to the Vigoro Corporation for total proceeds of $191 million, including working capital.

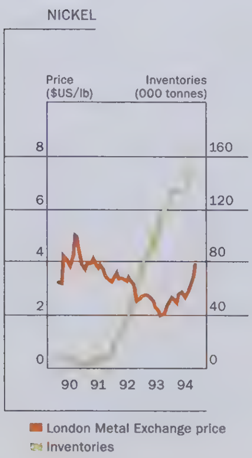
Capital spending totalled $64 million in 1994 compared to $96 million in 1993. The largest expenditure of $37 million related to Novicourt's share of the development of the Louvicourt project.

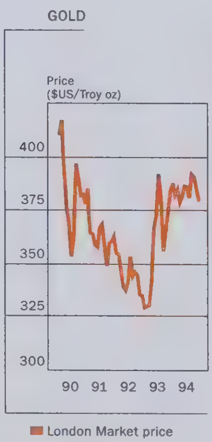
NORANDA METALLURGY

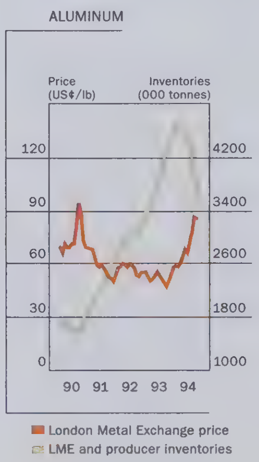
Revenues of $647 million in 1994 compare with $554 million in 1993. The increased revenues were due mainly to higher metal prices, precious metal inventory gains, a favourable exchange rate impact on revenues, improved product premiums and higher operating rates at all plants. These were partially offset by lower treatment terms for zinc and copper concentrate.

Operating earnings of $65 million for the year were a 67% improvement over 1993. The improvement was mainly attributable to increased revenues, although unit operating costs continued to improve when compared with 1993.

Cash realized from operations was $115 million, compared to $113 million in 1993, and reflects the higher earnings. During the year, operating working capital increased by $18 million to $103 million. The increase was primarily due to higher zinc prices and volumes,







FINANCIAL INFORMATION BY SEGMENT

($ millions)	Operating earnings (loss) 1994	1993	Depreciation and amortization 1994	1993	Capital expenditures 1994	1993	Total assets* 1994	1993
Noranda Mining and Exploration	(13)	(76)	56	52	64	96	909	930
Noranda Metallurgy	65	39	48	45	50	45	1,008	815
Falconbridge**	73	(19)	132	92	87	43	2,736	1,419
Hemlo Gold	24	16	37	33	32	29	425	414
Primary aluminum	9	(9)	39	36	17	19	370	331
Aluminum fabricating	56	43	35	34	40	29	640	543
Commodity brokerage, wire rope and other	15	27	6	7	7	7	386	306
Total	229	21	353	299	297	268	6,474	4,758

*Excludes cash and short-term notes and securities.
**Falconbridge proportionately consolidated to June 30, 1994; fully consolidated thereafter.

which occurred mainly in the fourth quarter.

Capital spending at $50 million was up by 11% when compared with 1993. Major projects included a direct smelting ore project and a concentrate handling and warehouse project at the Horne smelter, and continued spending for the modernization of the CCR refinery.

FALCONBRIDGE

Falconbridge is a major producer of nickel, copper, zinc, cobalt and sulphuric acid. It is also an industry leader in the recycling of scrap metal and other materials to recover valuable metals.

Falconbridge's consolidated revenues of $1,960 million were $527 million higher than in 1993. Noranda's share of Falconbridge's operating earnings in 1994 was $73 million and compares with a 1993 operating loss of $19 million. Major reasons for the increased earnings were higher average prices and a more favourable U.S. dollar exchange rate. These increases were partially offset by lower Sudbury and Kidd Creek mine production.

In 1994, increased demand and the price of nickel kept the smelting operations in Sudbury and the refinery in Norway operating at capacity. Production at the refinery was higher in 1994 due to a reduction of matte inventories and increased processing of custom feed materials. Nickel and cobalt production capacities in Norway were increased during the year. At the Sudbury division, production was lower due to placing the Lockerby mine on a care and maintenance basis in June 1994. The Kidd Creek division's mine production tonnage and grades were below planned levels for 1994. Lower levels of feed from Kidd Creek mines due to ground control problems and changes to mine sequencing were supplemented with copper concentrate from the Sudbury division, through swap or purchase arrangements with one of Noranda's other mines and the acquisition of other copper and zinc custom feed materials.

Falconbridge's consolidated capital expenditures of $102 million in 1994 were $17 million higher than 1993, and included expenditures to expand the Nikkelverk refinery, to maintain productive capacity at the other operations, and on the Collahuasi project.

HEMLO GOLD

Noranda's share of Hemlo Gold's operating earnings increased to $24 million in 1994 from $16 million in 1993, due to higher gold production resulting from improved grades at both the Golden Giant and Silidor mines, to a slightly higher gold price in U.S. dollars, and to the much weaker Canadian dollar. Hemlo Gold remained the lowest-cost gold producer in North America, with an aggregate cash operating cost of US$109 per ounce in 1994, compared to US$124 per ounce in 1993. Capital expenditures amounted to $32 million.

In April 1994, the decision was made to bring the Holloway gold mine project in northern Ontario into production. Work began immediately on a two-year surface and underground development program with an estimated capital cost of $55 million. In December 1994, Hemlo Gold increased its interest in the Holloway joint venture from 50% to 85%.

NORANDA ALUMINUM

Noranda Aluminum has eight plants in the United States and two in Mexico that produce primary aluminum, aluminum sheet and foil (Norandal) and aluminum and steel automotive wheels (American Racing).

The primary aluminum industry began a recovery in 1994 as an industry-wide decrease in production began to correct the supply/demand imbalance. Prices increased from US51¢/lb. at the beginning of the year to US90¢/lb. at the end of the year. The fabricating divisions experienced some difficulty maintaining margins with a rapid increase in raw materials costs, but demand levels remained strong in most markets. Sales were $1,523 million in 1994 compared with $1,408 million in 1993. Operating earnings were $65 million in 1994, up $31 million from 1993. Capital spending totalled $57 million, an increase of 19% over 1993.

Primary operating profits improved to $9 million in 1994 compared to a $9 million loss in 1993 due to the higher aluminum prices.

Operating earnings of the aluminum fabricating group increased by 30% to $56 million in 1994. Norandal's operating earnings were

ORE RESERVES (1)

	Company's beneficial interest (%)	Tonnes (000)	Grade					
			Copper (%)	Zinc (%)	Nickel (%)	Lead (%)	Silver (oz/mt)	Gold (oz/mt)
Noranda Mining and Exploration								
Gaspé Mine								
Needle Mtn.								
Proven	100	243	1.70				0.19	
"E" Zone								
Proven	100	3,748	2.82				0.46	
Probable	100	980	4.13				0.65	
Copper Mtn. Oxide								
Probable	100	19,496	0.44					
Geco Mine								
Proven	100	1,054	2.00	2.6			1.31	
Matagami Division								
Proven	100	1,312	1.03	17.6			2.82	0.02
Bell Allard Project (2)								
Probable	100	3,172	1.50	13.77			1.40	0.02
Brunswick Mining and Smelting								
Brunswick Mine								
Proven	63.3	55,237	0.30	9.0		3.6	3.25	
Heath Steele								
Proven	90.8	1,865	0.90	7.0		2.4	2.54	
Probable	90.8	1,294	0.80	7.7		1.7	2.28	
Novicourt								
Louvicourt (3)								
Proven and probable	27.4	13,862	3.83	1.8			1.03	0.03
Hemlo Gold								
Golden Giant Mine								
Proven	44.1	9,447						0.35
Probable	44.1	1,135						0.45
Silidor Mine								
Proven	24.3	287						0.16
Probable	24.3	1,127						0.15
Holloway Project (2)								
Proven	37.3	2,063						0.25
Probable	37.3	3,768						0.20
New World Project								
Probable	26.5	7,222	0.74				1.16	0.23
Falconbridge (3)								
Kidd Creek Division (4)								
Proven	46.4	22,112	2.72	6.25			2.35	
Probable	46.4	5,503	3.12	4.29			1.86	
Sudbury Division (4)								
Proven	46.4	14,532	1.34		1.85			
Probable	46.4	11,866	1.98		1.55			
Falcondo (5)								
Proven	39.6	32,453			1.72			
Raglan Project (2, 5)								
Proven	46.4	4,488	0.88		3.41			
Probable	46.4	7,738	0.87		3.03			
Collahuasi Project								
Probable	23.2	1,959,000	0.90					

(1) All ore reserves are as at December 31, 1994 and are shown on a 100% basis. The ore reserves at Falcondo, and at the New World, Raglan and Collahuasi projects, are geological reserves. The proven and probable ore reserves at all other operations and at the Holloway and Bell Allard projects are mineable ore reserves.

(2) The Bell Allard, Holloway and Raglan projects are scheduled to begin production in 1998, 1996 and 1998, respectively.

(3) The Louvicourt ore reserves have been calculated and provided to the Company by the project operator of the joint venture, who is currently categorizing them into proven and probable reserves.

(4) In addition, possible ore reserves are as follows:
Kidd Creek Division – 5.6 million tonnes grading 1.13% copper, 9.73% zinc and 2.38 oz/mt silver;
Sudbury Division – 13.8 million tonnes grading 1.22% copper and 1.24% nickel.

(5) In addition, possible geological ore reserves are as follows:
Falcondo – 21.3 million tonnes grading 1.73% nickel;
Raglan Project – 5.8 million tonnes grading 0.90% copper and 3.04% nickel.

higher than in 1993 due to strong sheet markets, while foil operations remained flat.

American Racing improved earnings for the fourth consecutive year. The 1994 improvement was due mainly to increased volume in the company-owned distribution network.

In August 1994, Noranda Aluminum sold its interest in Norandex, a vinyl siding manufacturer in Claremont, North Carolina. The proceeds of the sale were $158 million, resulting in an after-tax gain of $55 million.

OTHER INVESTMENTS

Rudolf Wolff's 1994 earnings of $22 million represent an after-tax return on assets of 23%, and an improvement of $3 million over 1993. With higher trading volumes, rising commodity prices, and high volatility on the London Metals Exchange (LME) and Comex, record revenues were generated, mainly in copper and aluminum.

In 1994, Brenda Mines increased its provision for mine closure costs by $15 million, resulting in a total provision of $25 million as at December 31, 1994 to cover estimated decommissioning costs. The engineering study and cost estimates to install and operate water treatment facilities have been reviewed and are considered reasonable by an independent firm of engineering consultants. Discussions with regulatory authorities related to the decommissioning process are well advanced.

Wire Rope's total sales were $114 million in 1994, an increase of $11 million over 1993, while operating earnings during 1994 are roughly equivalent to the break-even result in 1993.

OUTLOOK

Demand for most of Noranda's mining and metal products should continue to grow during 1995.

Noranda Mining and Exploration has a number of projects which will contribute to growth. The economic viability of the Bell Allard zinc/copper discovery in Matagami has been confirmed, and this find has been approved for development at an estimated cost of $73 million net of projected preproduction revenue. Brunswick's Half Mile Lake zinc/lead/copper property is at the early stages of investigation. New projects at Mines Gaspé include development of another ore body, a concentrate injection system at the smelter, and a leaching process to treat stockpiled oxide ore.

EXPLORATION PROJECTS

Name	Ownership	Interest (%)	Tonnes (millions)	Grade
Montanore, Montana	Noranda Mining and Exploration	100	139	2.0 oz/tonne silver 0.7% copper
Côte d'Ivoire, West Africa				
Biankouma	Falconbridge	60*	54	2.0% nickel
Sipilou North	Falconbridge	60*	54	1.8% nickel
Nickel Rim, Ontario	Falconbridge	100	0.5	4.1% nickel 25.5% copper
Half Mile Lake, New Brunswick	Brunswick	100*	6.0	9.2% zinc 3.2% lead
Bucko, Manitoba	Falconbridge	95	18.8	1.0% nickel

*Subject to fulfilment of certain conditions.

The Geco mine, which has operated continuously since 1957, will cease production in mid-November 1995 with the exhaustion of the ore body.

During 1995, Noranda Metallurgy intends to form a partnership and enter the magnesium business with the initiation of a $33 million pilot plant program in the spring of 1995. Noranda Advanced Materials will build on its technical expertise in the zinc powder and high purity/ultra pure metals business, and will also investigate new growth opportunities.

At Falconbridge's Sudbury division, the full commissioning of the Craig mine shaft by mid-1995 will increase production by an additional 6,000 tonnes of nickel annually, to 42,000–45,000 tonnes. Two significant intersections, which will require follow-up exploration from underground, were drilled in the Onaping area. Drilling work so far indicates the potential for a significant new ore-bearing structure.

Kidd Creek's 1995 mine production of copper and zinc is expected to exceed 1994 levels. The zinc grade especially is projected to increase. Work has started on the 6800 level to provide a better location from which to explore and evaluate the massive sulphide and stringer sulphide deposit at Kidd Creek, which remains open at depth.

The Collahuasi project in northern Chile, one of the world's largest known undeveloped copper properties, is moving toward a production decision in 1995. A definitive feasibility study will be completed early in 1995 to develop project designs and cost estimates for a 60,000 tonne-per-day concentrator, with initial annual production of about 300,000 tonnes of copper in concentrate and a 50,000 tonne-per-year copper oxide leaching plant. Falconbridge's 50% share of Collahuasi's output would boost Falconbridge's mined annual copper production, at 1994 levels, by 137%.

Falconbridge announced on February 2, 1995 that it will proceed immediately with the development of the Raglan property in northern Quebec, contingent upon the completion of various related agreements with Inuit groups, and with the government of Quebec. Capital expenditures of $486 million will be required to bring the property into production by mid-1998 at a rate of 20,000 tonnes of refined nickel per year. Based on 1994 production levels, the Raglan project will increase the refined nickel production from Falconbridge mines by 56%. The Raglan concentrate will be processed at Falconbridge's Sudbury smelter, while matte from the smelter will be refined by Nikkelverk. Raglan is a deposit with over 18 million tonnes of geological reserves grading 3.13% nickel and 0.88% copper. The exploration potential at Raglan remains excellent.

It is anticipated that Hemlo Gold's Holloway mine will begin production in 1996. Mineable reserves are sufficient for 13 years of production and the deposit remains open at depth. Hemlo Gold's share of annual production will be 85,000 ounces. Hemlo Gold has a 60% interest in Crown Butte Resources which owns 100% of the New World deposit in Montana. The state and federal regulatory authorities have informed Crown Butte that a draft Environmental Impact Statement will be issued for public comment in 1995. There can be no assurances that further delays will not occur either through possible administrative and judicial appeals or inter-governmental coordination problems. Following receipt of the necessary permits, two summer seasons will be required to complete construction and mine development.

The 1995 outlook for Noranda Aluminum's businesses continues to be mixed. As there is some concern that prices will not continue at current levels for most of 1995, 25% of Noranda Aluminum's 1995 primary aluminum sales have been sold forward at US93¢/lb., while a further 45% have been guaranteed a minimum of US86¢/lb. and a maximum of US98¢/lb., through the establishment of put options purchased and call options sold, respectively.

The outlook for fabricated aluminum products is more positive. American Racing, which is the leading automotive after-market aluminum wheel supplier in the United States, expanded capacity with the start-up of its Mexican plant in 1994, and construction has also begun on a one-million-wheel-per-year aluminum wheel plant in Kentucky at a projected cost of $43 million.

Collective agreements subject to negotiation in 1995 include those at the CCR copper refinery in Montreal, the CEZinc refinery in Valleyfield, Quebec and the Matagami mine.

forest products

FINANCIAL SUMMARY

($ millions)	1994	1993
Sales	1,801	1,570
Operating earnings	110	48
Average net assets employed	1,016	1,799
Cash from operations*	278	172
Capital expenditures	241	112
Employees	8,208	8,120

*Cash flow before interest expense and investment income

PRODUCTION VOLUMES (1)

	1994	1993
Building materials (MMfbm)		
Lumber	1,058	1,003
(MMsf 1/16")		
Plywood	969	929
Oriented structural board	3,997	3,578
Medium density fibreboard	751	672
Papers (000 tonnes)		
Newsprint	203	201
Groundwood paper	192	206
Woodfree paper	213	264
Pulp (000 tonnes)	476	451
Paperboard (000 tonnes)	35	29

(1) Northwood and J.P. Levesque are shown on a 50% basis.

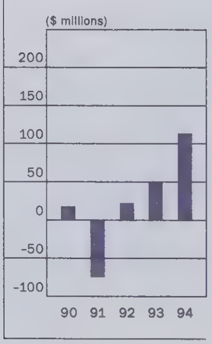
Noranda Forest is a major Canadian producer of forest products, operating directly and through its 50% ownership in Northwood Forest Industries Ltd. Noranda Forest's operations are segmented among three primary businesses: building materials, papers, and market kraft pulp. The principal markets for these products are North America, Europe and Asia. Noranda Forest employs approximately 8,200 people and has operations in British Columbia, Ontario, Quebec, New Brunswick, Maine, New York, Minnesota and Inverness, Scotland. These facilities include 13 sawmills, eight panelboard mills and six pulp and paper plants. In addition, an OSB mill is under construction in Mississippi with a planned April 1995 start-up. Noranda Forest manages more than six million hectares of forest land, and planted approximately 32 million seedlings in 1994 to supplement natural regeneration.

OPERATING RESULTS

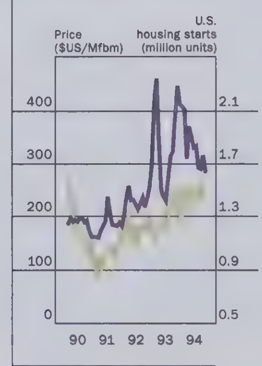
Net sales increased 15% to $1,801 million in 1994. The net sales increase was 93% price related and 7% volume based. Noranda Inc.'s share of operating earnings in 1994 was $110 million compared with $48 million in 1993. Noranda Forest's final net 1993 loss included a $55 million after-tax write down of the Atholville, New Brunswick pulp mill which was closed in November 1991. In December 1994, the Atholville pulp mill was sold for preferred shares, recorded at a nominal value, which are redeemable out of the first commercial operations of the mill planned for the site. The sale transaction had no impact on earnings in 1994.

The improved results for 1994 were attributable mainly to recovering economies worldwide, higher U.S. dollar-denominated prices for pulp, panel products, lumber and newsprint, a weakening in the average value of the Canadian dollar relative to the U.S. dollar, the refund of the countervailing duty on softwood lumber, gains realized from productivity improvements and a continuing focus on reductions in controllable costs.

FOREST PRODUCTS OPERATING EARNINGS (LOSS)

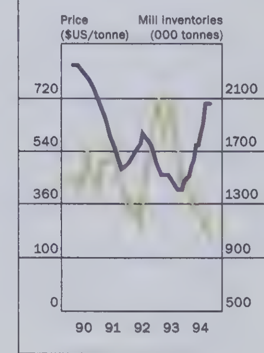


LUMBER



Price
U.S. housing starts – seasonally adjusted

PULP



Price
Mill inventories

Tight market conditions developed for printing and writing paper in the second half of the year, with price increases announced for most grades accelerating in the fourth quarter. These paper price increases, however, had only a marginal impact on Noranda Forest's 1994 results, since many prices had been fixed in contracts until year end. Fibre costs increased sharply, particularly in British Columbia, due to increased stumpage rates, additional costs from implementing new forestry practice requirements and higher labour costs.

In August 1994, a binational panel established under the Canada–United States Free Trade Agreement affirmed previous decisions that provincial timber practices do not constitute countervailable subsidies. In December 1994, the U.S. Department of Commerce instructed the U.S. Customs Service to refund all cash deposits collected as security on softwood lumber exports to the United States during the period March 12, 1992 to August 17, 1994. Accordingly, investment and other income includes a non-recurring pre-tax gain of $41 million related to the recognition of countervailing duty refunds, including interest.

BUILDING MATERIALS

Sales from the building materials segment increased 21% in 1994 and accounted for 53% of Noranda Forest's total net sales compared to 50% in 1993. Operating earnings were $110 million in 1994, up from $82 million in 1993.

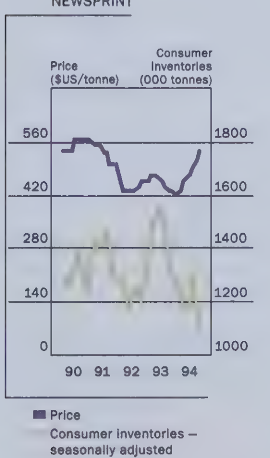
U.S. housing starts, at 1.45 million in 1994, were at the highest level since 1988, up 13% from 1993. The 1994 advance was the third consecutive annual gain.

Lumber prices for the benchmark random length Western SPF averaged US$341 per Mfbm, 3% higher than in 1993. Prices fell in September as it became apparent British Columbia sawmills would reach an agreement with the International Woodworkers of America (IWA).

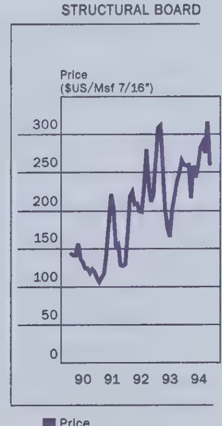
Lumber production in 1994 was an all-time high for Noranda Forest, up 6% from the record established in 1993. Log costs are the most significant portion of lumber production costs. Stumpage rates were increased significantly in the spring of 1994 by the government of British Columbia, where 51% of Noranda Forest's lumber production capacity is located. Higher lumber and chip prices, the weaker Canadian dollar, and increasing mill efficiencies and recoveries due to capital upgrading, however, more than offset the impact of the higher stumpage rates.

OSB is becoming an increasingly popular alternative to plywood sheathing for walls, roofs and floors in home construction, accounting for 34% of total U.S. structural panel consumption in 1994, up from 31% in 1993. OSB reference prices averaged US$264 per Msf 7⁄16″ for the year, an 11% increase over 1993.

NEWSPRINT



ORIENTED STRUCTURAL BOARD



Noranda Forest's OSB production increased 12% in 1994. The second OSB line at Inverness, Scotland started up in May 1994, more than doubling annual capacity and solidifying the company's position in the growing market for OSB in Europe. A $10 million modernization project at the Val d'Or, Quebec OSB mill was completed early in 1994, increasing the mill's annual capacity by 200 million sq. ft. to 1.65 billion sq. ft. Projects to be completed in 1995 at Bemidji, Minnesota, La Sarre, Quebec and Tupelo, Mississippi will boost Noranda Forest's annual OSB capacity to 9.1 billion sq. ft. on a ⅟16″ basis. Capacity at the end of 1993 was 3.8 billion sq. ft.

PAPERS

The papers segment accounted for 33% of Noranda Forest's total net sales in 1994 compared to 41% in 1993. Operating losses were $16 million compared to a loss of $5 million in 1993.

In general, the paper business tends to follow overall economic trends. The paper segment was adversely impacted in 1994 by much higher prices for pulp, the basic raw material used to manufacture paper. Noranda Forest, however, is a net seller of pulp and overall profits increased as a result of higher prices. Printing and writing paper prices lagged the rise in pulp prices in the first half of 1994. However, sharp increase in demand created tight market conditions by mid-year. Factors contributing to the rebound were stronger than anticipated growth in the U.S. economy, lower capacity growth, slowing of imports from Europe and cost-push pressures from non-integrated producers due to rising pulp prices.

Newsprint markets turned the corner in 1994 with three price increases. Higher consumption, growth in exports from North America and the closure of capacity in Canada restored pricing flexibility for producers after a four-year hiatus. Reference prices averaged 3% higher in 1994 at US$466 per tonne.

The Masson, Quebec newsprint mill returned to profitability in 1994, marking its best financial performance since 1990. A US$12 million metering size press was installed in September at the Madawaska, Maine mill enabling the production of surface-treated papers such as precoated thermal fax grades. This project supports the company strategy to niche market high-quality, high-margin printing and writing papers. A US$15 million project was approved in April 1994 to produce silicon release papers on Madawaska's machine #3. Start-up is scheduled for June 1995.

Following a 75-day strike in the second quarter, the Thorold, Ontario paper mill restarted on a two-machine, five-day-a-week operation. Total employment was reduced by almost 50%. The mill's future depends on its ability to produce high-quality specialty papers that meet customer needs. With the reconfiguration of mill operations and grade mix restructuring in place, the mill operated on a cash break-even basis during the latter part of 1994. Boxboard operations at Edmundston, New Brunswick were marginally profitable on a cash basis in 1994. Production increased by 20% to a new record high as the mill operated without any market-related shutdowns in 1994.

PULP

Market pulp accounted for 13% of Noranda Forest's total net sales compared to 8% in 1993. About 20% of Noranda Forest's pulp sales are used internally at its paper mills in Madawaska and Thorold. The pulp segment contributed earnings of $13 million in 1994 compared to a loss of $29 million in 1993.

Market pulp prices were extremely weak for most of 1993 as a result of worldwide overcapacity and weak demand. The market, however, turned rapidly in the December 1993 to January 1994 period. Five successful pulp price increases were implemented in 1994. The pulp price increases were fuelled by declining producer inventories, rising demand for paper and a desire of buyers to replenish

FINANCIAL INFORMATION BY SEGMENT

($ millions)	Operating earnings (loss) 1994	1993	Depreciation and amortization 1994	1993	Capital expenditures 1994	1993	Total assets* 1994	1993
Papers	(16)	(5)	41	42	68	19	618	615
Building materials	110	82	35	25	135	74	695	497
Pulp	13	(29)	30	44	36	16	427	396
Other	3	–	3	2	2	3	128	428
Total	110	48	109	113	241	112	1,868	1,936

*Excluding cash and short-term notes, securities and instalments receivable.

their inventories, as well as hedge buying due to the threat of strike activity in British Columbia. Average prices realized by Noranda Forest's mills, in Canadian dollars, increased 49% in 1994.

Productivity improvements continued to be a major priority for Noranda Forest's operations. The Thurso, Quebec hardwood mill operated at an average of 646 tonnes per day in 1994, compared to 637 tonnes per day in 1993.

In May 1994, the Prince George mill became the first pulp mill in the world to achieve a Q 9001 rating, the highest-quality management standard, from the International Standards Organization. The Prince George mill's productivity increased in 1994 to a record 1,461 tonnes per day, a 7% improvement over 1993.

Both the Thurso and Prince George mills have the capacity to supply elemental chlorine-free (ECF) pulp to meet European market requirements. ECF pulps are bleached using chlorine dioxide instead of molecular chlorine gas. This process significantly reduces chlorinated compounds in mill effluents.

ENVIRONMENTAL ISSUES

In 1994, for the second year in a row, Noranda Forest's pulp and paper mills achieved an overall compliance level of almost 99% with regard to effluent/emissions discharge requirements under existing regulations and permits.

Noranda Forest's Canadian pulp and paper mills will be required at the end of 1995 to meet the full requirements of the Canadian Pulp and Paper Effluent Regulations. These regulations essentially require that secondary effluent treatment be installed at each of the mills in Canada. At Edmundston, additional aeration equipment designed to improve winter operation of the treatment system was installed in the summer of 1994. Thorold and Prince George already meet the requirements of federal regulations. In Quebec, the new regulations require that the systems be operating at new compliance levels by September 1, 1995. Projects for the installation of effluent treatment at Masson and Thurso are progressing to meet this deadline.

The United States Environmental Protection Agency is developing a new set of regulations (termed "cluster regulations") for the pulp and paper industry. These will reduce permitted levels of both air and water effluent discharges from U.S. mills based on an assessment of the best-available technology identified in a government study of the industry. As a result, the Madawaska mill will be faced with reduced biochemical oxygen demand allowances. A preliminary study is underway to determine if secondary treatment is required.

CAPITAL SPENDING

Capital spending in 1994 of $241 million increased 115% from 1993 levels. Expenditures for the greenfield OSB mill at Tupelo accounted for 32% of the $241 million total.

Capital expenditures of $310 million are currently planned for 1995, with about $60 million dedicated to environmental expenditures. Approximately 70% of the total planned spending will be on projects already approved and underway including: OSB expansion projects at Tupelo, La Sarre and Bemidji, a woodroom modernization at the Thurso pulp mill; secondary treatment facilities at Thurso and Masson; and a softnip calendar project on paper machine #3 at Madawaska and the Edmundston cogeneration plant. The building materials segment will again be the prime beneficiary of capital investment in 1995, accounting for approximately 50% of the total. The $310 million total does not include any strategic acquisitions that may occur in 1995.

OUTLOOK

The outlook for Noranda Forest in 1995 remains positive, with significant financial capacity, focused strategy and diverse product mix. Cash proceeds of $319 million were received in February 1995 as the final instalment from the sale of MacMillan Bloedel. This receipt together with cash on hand, strong cash-flow generation and financing capacity places Noranda Forest in a very strong position to make strategic investments and acquisitions. Major improvements in earnings from pulp and paper are anticipated due to the current price recoveries. Building materials results could be lower than the record levels attained in 1994 due to the impact on demand from rising interest rates. All of Noranda Forest's operations will continue to seek out productivity gains and cost-reduction opportunities on controllable items, as well as continue to improve safety and environmental performance. A change in depreciation rates of pulp and paper machinery from 16 years to the industry standard of 20 years effective January 1, 1995 will reduce future annual depreciation by $14 million.

U.S. housing starts are expected to decline 6% to 1.37 million from 1.45 million in 1994 as home-building slows under the weight of higher mortgage rates. Continuing tight conditions on the timber supply side are expected although substitution from engineered wood and non-wood products should keep building material prices healthy. Productivity and efficiency improvements at most of the sawmills should allow Noranda Forest to realize the benefits from favourable market conditions. Results in 1995, however, will be adversely affected by a full year's impact of higher stumpage charges implemented during 1994 in British Columbia and Ontario.

OSB production is expected to increase 35% over 1994 due to a full year's output from the expansion in Scotland, the April start-up of the new greenfield mill in Tupelo and the October start-up of the expanded La Sarre mill. The cost advantage of the company's OSB facilities will provide the ability to withstand the potential short-term impact of increased industry capacity. Noranda Forest will continue to pursue further opportunities to grow in both the OSB and medium density fibreboard sectors.

A new three-year collective agreement, which expires on June 10, 1997, was reached in 1994 with International Woodworkers Association (IWA)–Canada at three of Northwood's sawmills, providing for wage increases of approximately 8% over the three years, plus pension enhancements.

The collective agreement at the plywood mill in Prince George terminated on June 10, 1994. While a settlement has not been achieved, agreement is expected at terms similar to the IWA–Canada settlement.

Agreements have yet to be signed with the pulp and paper unions. Their contract expired April 30, 1994.

Employees at the Thorold paper mill ratified a five-year agreement retroactive to May 1, 1993. Wage increases total 2.5% for the first three years, with years four and five to be negotiated in 1996.

Collective agreements to be negotiated in 1995, in addition to the current bargaining at the pulp mill and plywood mill in Prince George, include the Val d'Or OSB mill and sawmills at Plaster Rock, Senneterre, Cochrane and Kirkland Lake.

Northwood is exploring a number of options to augment fibre supply as a contingency should reductions in its annual allocative cut occur as a result of a review currently being conducted by the Province of British Columbia. Fibre supply is not an issue at other Noranda Forest operations.

Aboriginal groups throughout Canada have claimed substantial land areas and are seeking compensation from various levels of government. Governments have instituted a negotiation process to address these claims. One negotiation underway has affected Noranda Forest's B.C. operations indirectly. Settlements will likely involve combinations of cash and access to resources that could affect forest-tenure rights, including a potential reduction of harvest rights. The negotiation process is expected to be lengthy.

Continued economic growth in the U.S. and Europe should provide opportunities for further price increases for all paper grades in 1995, with some early increases already announced. Demand is expected to grow faster than capacity, affording the industry tighter markets, higher operating rates and continued pricing power.

oil and gas

FINANCIAL SUMMARY

($ millions)	1994	1993
Sales	230	251
Operating (loss) earnings	(25)	47
Average net assets employed	1,771	1,861
Cash from operations*	215	204
Capital expenditures	194	125
Employees	3,400	3,540

*Cash flow before interest expense and investment income

PRODUCTION VOLUMES

(before royalties)	1994	1993
Natural gas (MMcf/day)		
Canadian Hunter	304	325
Norcen Energy*	554	541
	858	866
Oil and natural gas liquids (bbls/day)		
Canadian Hunter	10,282	10,361
Norcen Energy*	68,689	61,155
	78,971	71,516

*Includes North Canadian on a combined basis for 1993.

PROVEN RESERVES

(before royalties)	1994	1993
Natural gas (billion cubic feet)		
Canadian Hunter	654	849
Norcen Energy	1,977	2,344
	2,631	3,193
Oil and natural gas liquids (million bbls)		
Canadian Hunter	20	24
Norcen Energy	181	231
	201	255

Noranda's Oil and Gas group consists of Canadian Hunter Exploration (100%) and Norcen Energy Resources Limited (44%).

Noranda holds $310 million of convertible subordinated debentures of Norcen which, when added to Noranda's 44% direct interest, give it an effective equity interest of 49.4% on a fully diluted basis.

On a 100% basis, Noranda's Oil and Gas group is Canada's second-largest producer of natural gas. In 1994, production of natural gas averaged 858 million cubic feet (MMcf) per day, a 1% decrease from 1993. Oil and natural gas liquids (NGL) production of 78,971 bbl per day was 10% higher than in 1993.

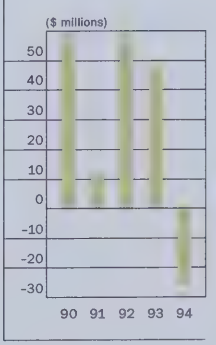
The Oil and Gas group incurred an operating loss of $25 million in 1994 compared to earnings of $47 million in 1993, mainly as a result of asset write downs and reserve revisions. Average gas prices were near 1993 levels but declined significantly through year end.

CANADIAN HUNTER

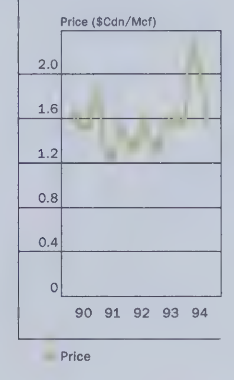
Canadian Hunter's 1994 fiscal year was characterized by marginal declines in natural gas production, the initiation of a program to reduce administrative costs, higher average gas prices and limited exploration success. A negative reserve revision was recognized in the fourth quarter.

Operating income decreased 28% to $29 million due largely to increased non-cash depletion expense. While gas production decreased by 6% to 304 MMcf per day, the average gas price realized by Canadian Hunter in 1994 was 15% higher than 1993, due entirely to strong prices in the first half of the year. This resulted in a 6% increase in net revenue from gas properties. Lower oil production was offset by higher NGL production in 1994. This production, combined with higher oil prices and lower NGL prices, resulted in a slight reduction in operating income from oil and NGLs. However, the marketing group generated an operating margin of $13 million, a 90% increase over 1993.

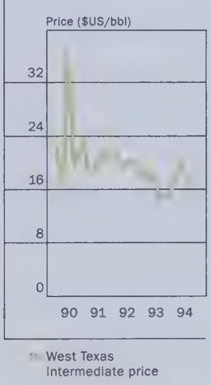
OIL AND GAS OPERATING EARNINGS (LOSS)



NATURAL GAS



OIL



Notwithstanding the decline in earnings, Canadian Hunter continued to generate strong cash flow in 1994. Cash from operations before interest expense and investment income of $164 million, approximately 15% above that in 1993, was used to fund the 1994 capital program.

Capital expenditures increased by 55% to $194 million. Canadian Hunter drilled 51 exploration wells and 69 development wells in 1994, resulting in total reserve additions of 73 billion cubic feet of reserves. This was offset by a one-time downward reserve revision of 157 billion cubic feet. This reserve revision was the principal factor in depletion expense increasing 13% from 1993 to $132 million.

NORCEN ENERGY RESOURCES

1994 was a year of significant change at Norcen. During the fourth quarter, a new management team was installed and an extensive review of the company's assets and operating strategies was undertaken. Oil and gas assets were scrutinized to identify those areas where Norcen has a competitive advantage and ability to add value, resulting in the identification of 12 core areas located in four countries where future efforts will be concentrated. Multidisciplinary teams have been formed to focus and exploit each of these core areas. The decision was made to retain the propane marketing business. Non-core assets have been identified, aggregating in excess of $750 million in carried value, and represent the remaining oil and gas assets which have been determined to be non-core, an interest in the Iron Ore Company of Canada, and an investment portfolio. A rationalization team has been established with the mandate to maximize the value of these assets by pursuing disposition opportunities over the next two to three years.

During the fourth quarter, the remaining common and preferred shares of North Canadian not acquired by Norcen in 1993 were acquired at a cost of $318 million, financed principally through the sale of non oil and gas assets. This significantly increased Norcen's exposure to the oil and gas business while holding net debt at levels comparable to 1993.

For 1994, a net loss of $114 million was reported, compared to net earnings of $24 million in 1993. During the year, Norcen recorded net provisions of $192 million before income tax and minority interest or $137 million after tax and minority interest, of which Noranda's share was $61 million. The major components on a before tax and minority interest basis were a write down and loss on disposition related to international properties of $226 million, corporate restructuring costs of $45 million and gains of $83 million on the sale of non-core assets. After adjusting for these net charges, Norcen's 1994 results were approximately equal to the 1993 results. Noranda's share of Norcen's loss for 1994 was $54 million, compared with earnings of $7 million in 1993.

Operating earnings from Norcen's oil and gas segment, before special charges, were $45 million in 1994 compared to $53 million in 1993. Oil and liquids production reached an average of 69,000 barrels per day in 1994, an increase of 8,000 barrels per day over 1993. Natural gas production reached an average of 554 MMcf/d in 1994 compared to 541 MMcf/d in 1993. Higher production was principally the result of the inclusion of North Canadian production for a full year in 1994 (as compared to nine months in 1993), as well as increased oil production in Venezuela and gas production from offshore U.S. Gulf Coast properties. Average oil and liquids prices realized in 1994 were $17.21/bbl and were comparable to 1993 realized prices. Average natural gas prices improved to $1.93/Mcf in 1994, up 10% from 1993, although gas prices weakened significantly through year end. Net capital expenditures, including the North Canadian acquisitions, were $629 million in 1994 compared to $638 million in 1993.

Operating earnings from Norcen's propane marketing segment reached $18 million in 1994 compared to $17 million in 1993, due to favourable weather conditions during the first three quarters of the year and the inclusion of the Premier Propane business, which was acquired at the end of 1993. Sales volumes reached almost 1.9 billion litres in 1994, an increase of 20% over 1993. Operating cash flow reached $46 million in 1994, an increase of $6 million over 1993. Capital expenditures in 1994 were $27 million compared to $66 million in 1993, of which $44 million related to the acquisition of Premier Propane.

OPERATING EARNINGS BY SEGMENT

($ millions)	1994	1993
Natural gas	207	207
Oil and liquids	113	110
Propane marketing	18	17
Depletion and other	(363)	(287)
Total	(25)	47

OUTLOOK

Prices for oil and natural gas are established through a variety of market forces over which Noranda has minimal influence. Crude oil prices are influenced by global demand and supply relationships and by the strategies of the world's major producers who participate in the Organization of Petroleum Exporting Countries (OPEC). Natural gas prices are influenced by North American supply and demand relationships, by the price of competing fuels, and by transportation and storage constraints. Noranda attempts to manage these risks by pursuing opportunities to reduce the risks of price volatility, including product and foreign currency hedging programs and negotiating long-term fixed-price natural gas contracts.

Natural gas prices are expected to remain weak in 1995 with average gas prices anticipated to be 30% lower than the 1994 average. Canadian Hunter is committed to managing its supply and markets by maintaining a diversified portfolio of contracts containing fixed and floating prices, varying contract terms and firm commitment volumes. Canadian Hunter's natural gas production is forecast at 285 MCF per day from existing reserves, a 6% decline from 1994 levels. However, if gas prices remain at current lows, Canadian Hunter may shut in a significant amount of gas until prices rebound. Canadian Hunter is committed to funding its 1995 capital program from internal cash flow. Capital expenditures will be substantially reduced from 1994 levels, due mainly to lower operating income resulting from the weak gas markets. General and administrative cost reductions initiated in 1994 will continue in 1995.

Norcen will continue to increase its focus on its core oil and gas and propane marketing businesses. Natural gas production levels for Norcen in 1995 are presently anticipated to be comparable to those in 1994, but as with Canadian Hunter, production levels may be lower if domestic gas markets do not recover from current depressed conditions. Oil and natural gas liquids production is also expected to be at levels similar to those in 1994. The establishment of multidisciplinary teams to work on core areas in the oil and gas segment is aimed at improving decision making and the efficiency of capital spending. The focus of the propane marketing operations in 1995 will be to realize significant cost reductions by completing the integration of Premier Propane and the sales branch restructuring program which was initiated in 1994. Operating cash flow in 1995 is anticipated to remain at 1994 levels and, after payment of dividends, will be reinvested in the business. Capital expenditures in 1995 are expected to remain at a level comparable to 1994 (excluding the North Canadian acquisition). Approximately 70% is anticipated to be spent in Canada, 15% in the offshore Gulf Coast, 15% in Argentina and Venezuela with a balanced mix of oil and gas prospects targeted. Production in 1995 is expected to remain at 1994 year-end levels with increased oil production from Venezuela and higher gas production from the Gulf Coast expected to offset lower production due to non-core property sales although this will depend on the timing, production profile, and extent of non-core properties sold during the year. Non-core asset dispositions of $200 to $300 million are planned in 1995, with the proceeds targeted to repay debt.

OIL AND GAS GROUP 1994 DRILLING STATISTICS

	Gross	Net
Exploratory drilling		
Oil and heavy oil wells	24	17
Gas wells	38	31
Dry and abandoned wells	72	48
	134	96
Development drilling		
Oil and heavy oil wells	121	51
Gas wells	280	140
Dry and abandoned wells	47	22
	448	213

OIL AND GAS GROUP 1994 LAND HOLDINGS

	Developed		Undeveloped	
(000 acres)	Gross	Net	Gross	Net
Canada	4,671	2,363	9,031	4,184
United States	124	44	350	145
Argentina	327	62	12,589	5,852
Australia	556	66	2,595	843
Other	22	10	3,537	774
Total	5,700	2,545	28,102	11,798

accounting policies

BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and include the accounts of Noranda Inc. (the "Company") and all of its subsidiaries and joint ventures (together, "Noranda"). Subsidiaries are defined to include the Company's interest in Falconbridge Limited ("Falconbridge") (46%) and Hemlo Gold Mines Inc. ("Hemlo Gold") (44%), based on the size of the Company's control block and its ongoing relationship with the management, directors and business operations of those companies. Long-term investments in associated companies in which Noranda has significant influence are accounted for on the basis of cost plus equity in undistributed earnings since the dates of investment.

Effective June 22, 1994, the Company's ownership interest in Falconbridge changed as a result of a public share offering by Falconbridge. The Company became the major shareholder of Falconbridge. Effective July 1, 1994, the Company changed its accounting for its investment in Falconbridge from proportionate to full consolidation. The Company's 50% interest in Falconbridge was proportionately consolidated up to June 30, 1994.

Noranda Forest Inc.'s ("Noranda Forest") 50% interests in three joint ventures are proportionately consolidated. The difference between the cost of the shares of associated companies and the underlying net book value of the assets is amortized over the estimated economic life of the assets to which the difference is attributed.

A partially-owned subsidiary owns shares in the Company. The Company's pro rata interest in the carrying value of such shares has been deducted from shareholders' equity. Similarly, the Company's earnings per common share have been calculated on the weighted average number of common shares outstanding after reduction for such intercompany holdings.

TRANSLATION OF FOREIGN CURRENCIES

The accounts of self-sustaining foreign operations are translated into Canadian dollars using the current rate method, under which all assets and liabilities are translated at the exchange rate prevailing at the year end, and revenues and expenses at average rates of exchange during the year. Gains or losses on translation of these account balances are not included in the Consolidated Statements of Earnings but are deferred and shown as a separate item in shareholders' equity. Gains or losses on foreign currency loans and deposits, and transactions that are designated as hedges of a net investment in self-sustaining foreign operations, are reported in shareholders' equity in the same manner as translation adjustments.

Foreign-denominated monetary assets and liabilities of Canadian operations and integrated foreign operations are translated at the exchange rate prevailing at the year end, and revenues and expenses (other than depreciation) at average rates of exchange during the year. Exchange gains and losses arising on the translation of the accounts are included in consolidated earnings. Non-monetary assets and liabilities are translated at historical rates of exchange. Long-term debt payable in foreign currencies is translated at the exchange rate prevailing at the year end, with the resulting adjustment being amortized over the term of the debt.

INVENTORIES

Mine products are valued at estimated current realizable values except for a portion of the in-process smelter and refinery inventories of copper, zinc and precious metals. These base stock amounts, required to maintain the continuous smelting and refining process, are valued at cost. Aluminum and fabricated product inventories are valued at the lower of cost (determined on a first-in first-out basis) and net realizable value.

Forest product inventories of manufactured products are valued at the lower of average cost and net realizable value.

Inventories of operating supplies and raw materials are valued at the lower of average cost and replacement value.

FORWARD, FUTURES AND OPTION CONTRACTS

Noranda periodically uses forward foreign exchange and option contracts to hedge the effect of exchange rate changes on identifiable foreign currency exposures, and futures and option contracts to hedge the effect of price changes on a portion of the commodities it sells. Gains and losses on these contracts are reported as a component of the related transactions. From time to time, Noranda enters

into futures and forward contracts for the purchase or sale of commodities and currencies not related to production. Provisions are made for any estimated unrealized losses on these contracts.

DEPRECIATION AND AMORTIZATION

Depreciation of property, plant and equipment is based on the estimated service lives of the assets calculated primarily on the straight-line basis; the unit of production method is applied to forest manufacturing assets. Preproduction and mine development expenditures are amortized over the estimated life of the mine on the unit of production method. Provisions are made for future site restoration and closure costs net of expected recoveries, in a rational and systematic manner, by charges to earnings over the expected life of operations.

EXPLORATION

Mining exploration expenditures are charged against current earnings unless they relate to properties from which a productive result is reasonably certain. Gains on sale of mining exploration properties or recoveries of costs previously written off are credited against exploration expense.

For oil and gas exploration expenditures, Noranda follows the full cost method of accounting whereby all costs associated with the exploration for and development of oil and gas reserves, whether productive or unproductive, are capitalized in cost centres on a country-by-country basis and charged against earnings as set out below. Such costs include land acquisition, drilling, geological, geophysical, and overhead related to exploration and development activities. Depletion is provided on costs accumulated in producing cost centres using the unit of production method based on estimated proved oil and gas reserves converted to a common unit of measure. Proceeds on sale of energy properties are credited to asset costs. The carrying value of Noranda's oil and gas investments in producing cost centres is limited to an ultimate recoverable amount which is the aggregate of future net undiscounted revenues from proved reserves based upon year-end constant prices and costs, and the costs of unproven properties, net of impairment allowances, less future general and administrative costs, financing costs and income taxes.

INCOME TAXES

Noranda follows the deferral method of tax allocation in accounting for income taxes. Under this method, timing differences between reported and taxable income result in provisions for taxes which are not currently payable at rates in effect in the year of the difference. Such timing differences arise principally as a result of claiming depreciation, development, exploration and preproduction costs for tax purposes in the year at amounts differing from those charged to reported earnings. The accumulated balance is not adjusted for subsequent changes in tax rates.

INTEREST

Interest expense is charged to earnings except for interest that can be identified with a major capital expenditure program, which is capitalized. The Company also enters into interest-rate swap agreements to modify the interest characteristics of its outstanding debt from a fixed to a floating rate basis. These agreements involve the receipt of fixed rate amounts in exchange for floating rate interest payments over the term of the agreement without an exchange of the underlying principal amount. The differential to be paid or received is accrued as interest rates change and recognized as an adjustment to interest expense related to the debt.

PENSION COSTS

Noranda uses the accrued benefit actuarial method pro rated on length of service and best estimate assumptions to value benefit obligations. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over various periods depending on the nature of the adjustment, ranging from the term of the employment contract to which the adjustments relate, to the lesser of the estimated average remaining service lives of the related employee group and the remaining expected life of the operation. Current service costs are expensed in the year. Market-related asset values are generally determined on a five-year average basis.

management's responsibility for financial reporting

The accompanying consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles. The financial information presented elsewhere in the annual report is consistent with that in the consolidated financial statements.

Noranda maintains adequate systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant and reliable and that Noranda's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and the accompanying management discussion and analysis. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and all of its members are non-management directors. The Audit Committee meets periodically with management and the external auditors to discuss internal controls, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee also reviews the consolidated financial statements, management's discussion and analysis and the external auditors' report, and examines the fees and expenses for audit services and considers the engagement or reappointment of the external auditors. The Audit Committee reports its findings to the Board for its consideration when approving the consolidated financial statements for issuance to the shareholders. Ernst & Young, the external auditors, have full and free access to the Audit Committee.

David W. Kerr
David W. Kerr
President and Chief Executive Officer

Alan R. Thomas
Alan R. Thomas
Senior Vice-President, Chief Financial Officer

February 8, 1995

auditors' report

To the Shareholders of Noranda Inc.

We have audited the consolidated balance sheets of Noranda Inc. as at December 31, 1994 and 1993 and the consolidated statements of earnings and retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994 and 1993, and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Ernst & Young
Chartered Accountants

Toronto, Canada
February 8, 1995

consolidated statements of earnings and retained earnings

EARNINGS

Years ended December 31	1994	1993
(millions)		
Revenue		
Sales	$6,633	$5,255
Investment and other income, net [note 12]	177	6
Share of (losses) earnings in associates [note 4(a)]	(54)	11
	6,756	5,272
Expense		
Cost of sales and administration	5,108	4,444
Depreciation, depletion and amortization	603	563
Closure provision, Atholville pulp mill	–	127
Mining exploration	71	41
Interest, net [note 5]	145	145
Income and production taxes (recovery) [note 11]	348	(12)
Minority interests in earnings of subsidiaries	151	1
	6,426	5,309
Earnings (loss)	$ 330	$ (37)
Earnings (loss) per common share [note 10(e)]	$ 1.45	$ (0.41)
Fully diluted earnings per common share	$ 1.42	–

RETAINED EARNINGS

	1994	1993
Balance, beginning of year	$ 524	$ 804
Earnings (loss)	330	(37)
	854	767
Dividends [note 10]	(236)	(243)
Balance, end of year	$ 618	$ 524

(See accompanying notes)

consolidated balance sheets

NORANDA INC. (INCORPORATED UNDER THE LAWS OF ONTARIO)

ASSETS

As at December 31	1994	1993
(millions)		
Current assets		
Cash and short-term notes	$ 1,010	$ 463
Securities and instalments receivable [notes 1 and 12(a)]	380	433
Accounts, advances and tolls receivable	1,646	1,022
Inventories	1,349	919
	4,385	2,837
Instalment receivable [note 12(a)]	–	297
Investments in and advances to associated and other companies [note 4]	1,317	1,490
Capital assets [note 3]	6,046	5,063
Other assets	88	69
	$11,836	$ 9,756

LIABILITIES AND SHAREHOLDERS' EQUITY

	1994	1993
Current liabilities		
Bank advances	$ 39	$ 126
Accounts payable	1,537	1,074
Taxes payable	173	43
Debt due within one year [note 5]	312	205
	2,061	1,448
Long-term debt [note 5]	2,791	2,818
Deferred taxes, reclamation provisions and other [note 6]	940	607
Minority interests in subsidiaries [note 8]	1,809	790
Convertible debentures [note 9]	150	150
Shareholders' equity [note 10]	4,085	3,943
	$11,836	$ 9,756

(See accompanying notes)

On behalf of the Board:

Alfred Powis

Alfred Powis, Director

David W Kerr

David W. Kerr, Director

consolidated statements of changes in financial position

Years ended December 31	1994	1993
(millions)		
Cash realized from (used for) operations:		
Earnings (loss)	$ 330	$ (37)
Charges (credits) not affecting cash:		
Depreciation, depletion and amortization and closure provision	603	690
Gain on the sale of assets, net of provisions	(130)	(10)
Deferred taxes	92	(154)
Minority interests in earnings of subsidiaries	151	1
Losses in associates, net of dividends received	89	23
Reclamation provisions, foreign exchange and other	56	46
	1,191	559
Net change in accounts receivable, inventories and payables	(291)	192
	900	751
Cash realized from (used for) investment activities:		
Property, plant and equipment, net	(587)	(415)
Deferred mining expenditures	(115)	(61)
Investments and advances	(3)	(19)
North Canadian Oils Limited shares exchanged [note 4(b)]	–	331
Norcen Energy Resources Limited shares acquired	–	(331)
	(705)	(495)
Falconbridge Limited cash included on consolidation [note 2]	55	–
Sale of assets	798	653
	148	158
Cash provided before financing activities and dividends	1,048	909
Cash realized from (used for) financing activities:		
Long-term debt	(930)	(451)
Common shares [note 10(e)]	315	455
Preferred share conversion and purchases [note 10(e)]	(303)	(407)
Issue of shares – minority shareholders, net [note 2]	789	25
Convertible debentures of a subsidiary	–	75
	(129)	(303)
Dividends		
Shareholders [note 10]	(236)	(243)
Minority shareholders of subsidiaries	(49)	(40)
	(285)	(283)
Cash increase	634	323
Cash, beginning of year	337	14
Cash, end of year	$ 971	$ 337

Cash comprises cash and short-term notes less bank advances
(See accompanying notes)

notes to consolidated financial statements

($ MILLIONS EXCEPT AS OTHERWISE INDICATED) DECEMBER 31, 1994

ACCOUNTING POLICIES

The principal accounting policies followed by Noranda are summarized under the caption "Accounting Policies".

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 1994 consolidated financial statements.

1. SECURITIES AND INSTALMENTS RECEIVABLE

The estimated market value of securities and instalments receivable as at December 31, 1994 was $380 (1993 – $443).

2. JOINT VENTURES

Noranda's share of the assets and liabilities and revenues and expenses of major joint ventures for the years ended December 31, 1994 and 1993 are as follows:

	Falconbridge		Noranda Forest joint ventures		Total	
	1994	1993	1994	1993	1994	1993
Balance Sheets						
Current assets	$ –	$ 287	$ 164	$ 119	$ 164	$ 406
Capital assets and other	–	1,148	223	223	223	1,371
	$ –	$1,435	$ 387	$ 342	$ 387	$1,777
Current liabilities	$ –	$ 196	$ 127	$ 113	$ 127	$ 309
Long-term debt	–	814	58	94	58	908
Deferred taxes, reclamation provisions and other	–	116	76	65	76	181
Minority interests in subsidiaries	–	11	34	18	34	29
Shareholders' equity	–	298	92	52	92	350
	$ –	$1,435	$ 387	$ 342	$ 387	$1,777
Statements of Earnings						
Sales and other revenues	$ –	$ 690	$ 526	$ 387	$ 526	$1,077
Expenses	–	706	433	349	433	1,055
Minority interests in earnings of subsidiaries	–	3	25	10	25	13
Operating earnings (loss)	$ –	$ (19)	$ 68	$ 28	$ 68	$ 9

As a result of a public share offering by Falconbridge on June 22, 1994, the Company became the major shareholder of Falconbridge and held 46.4% of the outstanding shares as at December 31, 1994. Noranda's original 50% joint-venture partner, Trelleborg AB of Sweden, reduced its ownership to 28.3% of the outstanding shares of Falconbridge and cancelled the shareholders' agreement and restrictions on the previous operation of the joint investment. Effective July 1, 1994, the Company changed its accounting for Falconbridge from proportionate to full consolidation. This change has been reflected in the Consolidated Statement of Changes in Financial Position only to the extent of $781 in net proceeds on the issue of shares by Falconbridge to the public and the additional cash of $55 included on full consolidation.

It had, however, the following effect on the Consolidated Balance Sheet as at June 30, 1994:

	June 30, 1994
Increase in Capital Employed	
Working capital	$ 292
Capital assets	978
Other assets	32
	$1,302
Increase in Capital Sources	
Long-term debt	$ 354
Deferred taxes, reclamation provisions and other	136
Minority interests in subsidiaries	812
	$1,302

3. CAPITAL ASSETS

	1994				
	Mining and Metals	Forest Products	Oil and Gas	Corporate	Total
Property, plant and equipment at cost	$ 6,628	2,455	1,958	52	$11,093
Accumulated depreciation	(3,681)	(1,195)	(1,165)	(10)	(6,051)
	2,947	1,260	793	42	5,042
Deferred preproduction and development	953	–	–	–	953
Deferred exploration	51	–	–	–	51
	$ 3,951	1,260	793	42	$ 6,046

	1993				
	Mining and Metals	Forest Products	Oil and Gas	Corporate	Total
Property, plant and equipment, at cost	$ 5,315	2,135	1,790	43	$ 9,283
Accumulated depreciation	(2,860)	(1,039)	(1,011)	(10)	(4,920)
	2,455	1,096	779	33	4,363
Deferred preproduction and development	624	–	–	–	624
Deferred exploration	76	–	–	–	76
	$ 3,155	1,096	779	33	$ 5,063

At December 31, 1994, capital assets included $713 (1993 – $552) of deferred preproduction and development, construction in progress and unproved properties that are not currently being amortized, depreciated or depleted.

4. INVESTMENTS

Investments in and advances to associated and other companies consist of:

	Ownership interest	Carrying value 1994	1993
Associated companies carried on an equity basis			
Norcen Energy Resources Limited [notes 4(a) and 4(b)]	44%	$ 966	$1,056
Other companies		98	98
		1,064	1,154
Other investments and advances, at cost			
Shares		241	322
Advances receivable		12	14
		253	336
	[note 4(c)]	$1,317	$1,490

(A) Following a comprehensive review of all assets, Norcen Energy Resources Limited ("Norcen") recorded in 1994 net provisions of $192 before or $137 after income tax and minority interest. The major components on a pre-tax basis were a write down and loss on disposition related to international properties of $226, corporate restructuring costs of $45 and gains of $83 for the sale of non-core assets. The Company's share of these provisions net of gains on an after-tax basis was a net loss of $61 which is included in the share of losses in associates of $54.

(B) In 1993, Noranda exchanged its 50% common share interest in North Canadian Oils Limited ("North Canadian") for common shares of Norcen, on the basis of 0.67 Norcen share for each North Canadian share. Noranda holds a 44% (1993 – 44%) equity interest and $310 (1993 – $310) convertible subordinated debentures of Norcen representing an effective equity interest of 49% on a fully-diluted basis.

(C) Included are shares and convertible debentures carried at a book value of $1,028 which had a quoted market value of $965 at December 31, 1994 ($1,161 and $1,000 respectively, at December 31, 1993). The latter amount does not necessarily represent the value of these holdings which may be more or less than that indicated by market quotations.

5. DEBT

	Weighted average interest rates as at December 31, 1994	1994	Principal repayment schedule as at December 31, 1994: 1995	1996	1997	1998	1999	2000 to 2003	Thereafter	1993
Debt of the Company and its wholly-owned subsidiaries:										
Notes payable and revolving term loans	5.78%	$ 121	67	–	–	54	–	–	–	$ 11
Senior debentures	7.41	1,601	–	379	–	–	100	701	421	1,132
Other debt	3.77	87	5	2	6	2	2	68	2	140
	7.13	1,809	72	381	6	56	102	769	423	1,283
Debt of partially-owned subsidiaries and joint ventures within:										
Mining and Metals	6.75	675	167	151	357	–	–	–	–	968
Forest Products	7.42	619	73	18	41	112	142	217	16	772
	7.08	1,294	240	169	398	112	142	217	16	1,740
	7.11%	3,103	312	550	404	168	244	986	439	3,023
Debt due within one year		312								205
Long-term debt		$2,791								$2,818

Notes payable include short-term money market borrowings supported by revolving term loan arrangements that are structured to provide the Company the right to borrow at floating rates and repay these amounts in January 1998.

Senior debentures are direct unsecured obligations of Noranda, for the most part bearing interest at floating rates tied to quoted money market rates. In 1994, the Company issued US$300 8⅛% debentures repayable on June 15, 2004. In 1993, the Company issued US$200 8% debentures repayable on June 1, 2003 and US$100 floating rate debentures repayable on August 18, 2000. The Company has also outstanding US$200 8⅝% debentures repayable on July 15, 2002. The principal amounts of US$800 above and US$150 of subsidiary debentures have been hedged into Canadian dollars through a series of short-term foreign exchange contracts by the Company and a partially-owned subsidiary, respectively. Interest rate swap agreements of Cdn$740 and Cdn$190 have been entered into by the Company and a partially-owned subsidiary, respectively, whereby fixed rates of interest are received and floating rates are paid.

Other debt includes pollution control revenue bonds and other miscellaneous obligations.

Debt of partially-owned subsidiaries and joint ventures includes $22 (1993 – $274) repayable in U.S. dollars.

Included in debt of partially-owned subsidiaries at December 31, 1994 is $24 (1993 – $49) representing amounts due with respect to forward gold sales at Cdn$543.63 per ounce.

Interest expense on long-term debt for the year was $222 (1993–$175). Interest capitalized on major capital expenditures was $5 (1993 – nil).

6. DEFERRED TAXES, RECLAMATION PROVISIONS AND OTHER

	1994	1993
Deferred:		
Taxes	$443	$251
Reclamation and other provisions	322	211
Pension and other liabilities	83	51
Revenues and other	92	94
	$940	$607

7. COMMITMENTS AND CONTINGENCIES

Noranda's future minimum payments on operating leases as at December 31, 1994 are as follows:

	The Company and its wholly-owned subsidiaries	Partially-owned subsidiaries and joint ventures	Total
1995	$ 22	11	$ 33
1996	20	10	30
1997	18	8	26
1998	17	6	23
1999	17	6	23
Thereafter	37	20	57
Total future minimum payments	$131	61	$192

As a hedge against a portion of its 1995 U.S. dollar-denominated sales, Noranda has entered into forward sales contracts for US$490 at exchange rates averaging Cdn$1.40 and a further US$115 against U.S. dollar-denominated sales after 1995 at exchange rates averaging Cdn$1.44. The Company has also entered into a series of forward sales contracts totalling US$53 with amounts maturing over the next 13 years at varying exchange rates [note 13(c)]. Noranda has also guaranteed repayment in 1996 of $67 (DM76) principal amount of funds managed for third parties.

In addition, Noranda has sold forward 57,400 tonnes of aluminum at first half 1995 Midwest prices averaging US93.4¢/lb. and has put and call options establishing minimum and maximum 1995 prices of US85.4¢/lb. and US97.9¢/lb. for a further 94,800 tonnes.

8. MINORITY INTERESTS IN SUBSIDIARIES

	1994	1993
Convertible subordinated debentures	$ 150	$ 150
Preferred shares of subsidiaries	44	44
Common equity interests	1,615	596
	$1,809	$ 790

In 1992, Noranda Forest issued $200 7¼% convertible unsecured subordinated debentures due October 30, 2002, of which the Company purchased and continues to hold $50. The characteristics and attributes attaching to these debentures, including options of Noranda Forest to require the trustee to apply the proceeds of redemption of the debentures at maturity to subscribe for and purchase common shares, causes Noranda Forest to view these securities as permanent capital. Consequently, these debentures are included with minority interest.

Effective July 1, 1994, the Company consolidated Falconbridge resulting in minority interest increasing by $812 at that date [note 2].

9. CONVERTIBLE DEBENTURES

The $150 adjustable rate convertible subordinated debentures, Series 1, due April 30, 2007, bear interest at a rate which is the greater of 5%, or 1% plus the percentage that two times the common share dividend paid in the previous six months is of the conversion price. Subject to certain conditions, the Company may satisfy the interest requirement through the issue of common shares. The debentures are convertible at the holder's option into common shares of the Company at a conversion price of $35.00 per common share, on or before the last business day prior to the maturity date of the debentures or the last business day prior to redemption. The Company has the option of redeeming the debentures and upon maturity they are redeemable, at the Company's option, for common shares of the Company. The characteristics and attributes attaching to the convertible subordinated debentures, including the Company's option to require the trustee to apply the proceeds of redemption of the debentures at maturity to subscribe for and purchase common shares, causes the Company to view these securities as permanent capital.

10. SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized:
- Preferred shares, an unlimited number
- Common shares, an unlimited number
- Participating shares, an unlimited number

			Dividends declared	
	1994	1993	1994	1993
Issued:				
Series B preferred shares [note 10(a)]	$ –	$ 52	$ 3	$ 4
Series C preferred shares [note 10(b)]	34	35	3	18
Series D preferred shares [note 10(c)]	100	100	6	8
Series E preferred shares [note 10(d)]	–	250	15	15
Common shares [note 10(e)]	3,301	2,986	213	202
	3,435	3,423	240	247
Retained earnings	618	524		
	4,053	3,947		
Currency translation adjustment	90	54		
Less: The Company's pro rata interest in its shares held by a subsidiary	57	57	4	4
Notes receivable [note 10(g)]	1	1	–	–
	$4,085	$3,943	$ 236	$ 243

(A) PREFERRED SHARES SERIES B

On October 15, 1994, the Company redeemed its 1,998,176 outstanding fixed/floating rate, cumulative, redeemable, retractable, convertible preferred shares Series B (1993 – 1,998,176) at a redemption price of $26.00 per share. Upon payment of $2.7785 per share, holders of such shares had the right to convert each share into 1.3 common shares of the Company until October 14, 1994, at a conversion price of $22.1373, or to receive the redemption price. Of the outstanding preferred shares Series B, 1,914,941 shares were converted into 2,489,384 common shares, 59,648 shares were surrendered for payment and 23,587 shares remain unsurrendered [note 10(e)]. Holders of unsurrendered preferred shares, Series B are not entitled to exercise any of the rights of shareholders in respect of such shares except the right to receive the redemption price, without interest. The Company has provided for the payment of the redemption price relating to all such unsurrendered shares.

(B) PREFERRED SHARES SERIES C

The Company had 1,316,028 (1993 – 1,368,728) preferred shares outstanding at December 31, 1994 which were designated as 7¾% cumulative, redeemable, convertible preferred shares Series C. Each share was convertible into 1.15 common shares of the Company until June 15, 1993 at a conversion price of $21.74. Under this conversion privilege, 16,244,768 shares were converted into common shares [note 10(e)]. The remaining outstanding Series C shares became subject to a quarterly purchase obligation of the Company commencing July 1, 1993 of 1% of the shares outstanding on June 15, 1993 at prices not to exceed $25.00 per share. During 1994, 52,700 (1993 – 29,300) shares were purchased in accordance with this obligation. The shares are redeemable at the option of the Company at a price of $25.00 per share together with all unpaid dividends.

(C) PREFERRED SHARES SERIES D

The Company had 200 (1993 – 200) auction, perpetual preferred shares Series D outstanding at December 31, 1994. Holders were entitled to dividends at a fixed rate of 8% until March 31, 1994. Thereafter, the dividend rate is determined with reference to the one month bankers' acceptance rates, by the Company with the consent of the holders, or failing such consents being obtained, by solicitation of bids from investment dealers, or auction. The shares are redeemable, at the Company's option, at par together with all unpaid dividends.

(D) PREFERRED SHARES SERIES E

On December 15, 1994, the Company redeemed its 12,500,000 outstanding 6% cumulative, redeemable, retractable, convertible preferred shares Series E (1993 – 12,500,000) at a redemption price of $20.00 per share. Holders of such shares had the right to convert each share into one common share of the Company until December 14, 1994, or to receive the redemption price. Of the outstanding preferred shares Series E, 12,491,172 shares were converted into an equal number of common shares, 1,703 shares were surrendered for payment and 7,125 shares remain unsurrendered [note 10(e)]. Holders of unsurrendered preferred shares Series E are not entitled to exercise any of the rights of shareholders in respect of such shares except the right to receive the redemption price, without interest. The Company has provided for the payment of the redemption price relating to all such unsurrendered shares.

(E) SUMMARY OF COMMON SHARE TRANSACTIONS

	Shares (in thousands)	Amount
Common shares, January 1, 1993	192,473	$2,565
Issued: On conversion of preferred shares, Series C	18,682	406
Under dividend reinvestment plan	459	10
Under stock option plan	330	5
Common shares, December 31, 1993	211,944	2,986
Issued: On conversion of preferred shares, Series B	2,489	56
On conversion of preferred shares, Series E	12,491	250
Under dividend reinvestment plan	85	2
Under stock option plan	435	7
Common shares, December 31, 1994	227,444	3,301
Less the Company's pro rata interest in 7,921,778 of its common shares held by a subsidiary	4,052	57
Net common shares, December 31, 1994	223,392	$3,244

The earnings (loss) per common share calculations are based on the weighted average number of common shares outstanding, 210,061,800 in 1994 and 199,117,057 in 1993. The adjusted basic earnings per common share for the year ended December 31, 1994 is $1.44 assuming the conversion of the Series B and Series E preferred shares into common shares had taken place on January 1, 1994 [notes 10(a) and 10(d)].

(F) STOCK OPTIONS

During the year ended December 31, 1994, 435,160 (1993 – 329,790) common shares were issued under the terms of the options granted under the Company's stock option plan at an average price of $17.85 (1993 – $15.79) per share. During the year, the Company granted five year options on 499,000 common shares, exercisable at prices varying from $23.00 to $26.25 per share. At December 31, 1994, options on 1,799,235 shares were outstanding and exercisable at prices varying from $14.50 to $26.25 for periods up to July 27, 1999.

(G) MANAGEMENT SHARE PURCHASE PLAN

Under the Company's management share purchase plan, shares are sold to a trustee for resale to key Noranda employees, financed by a loan from the Company and supported by a promissory note of the employee. On May 10, 1993, 1,586,200 common shares held under this plan were sold with the proceeds used to repay loans from the Company totalling $29. The 1993 decrease in notes receivable is included in the Consolidated Statement of Changes in Financial Position as an addition to common share capital. The remaining notes receivable of $1 (1993 – $1) are shown as a reduction from shareholders' equity. These loans bear interest at an amount equal to the dividend paid on the common shares.

(H) DIVIDEND REINVESTMENT PLAN

Canadian resident shareholders may elect to reinvest their cash dividends from common shares to purchase additional shares. During 1994, 84,950 (1993 – 458,940) common shares were issued under the dividend reinvestment plan.

11. INCOME AND PRODUCTION TAXES (RECOVERY)

The provision for (recovery of) income and production taxes differs from the amount that would have resulted by applying statutory income tax rates to earnings (losses) as described below. The difference arose for the following reasons:

	1994	1993
Earnings (loss) before the following:		
Income and production taxes (recovery), share of (losses) earnings in associates, and minority interests in earnings of subsidiaries	$883	$ (59)
Provision (recovery) based on combined federal and composite provincial tax rate of 45.0% (1993 – 44.7%)	$397	$ (26)
Increase (decrease) in taxes resulting from:		
Resource and depletion allowances	(88)	(41)
Royalties and mineral taxes	71	47
Non-recurring and other	(32)	8
Income and production taxes (recovery)	$348	$ (12)

12. INVESTMENT AND OTHER INCOME

(A) ASSET SALES

During the year, the Company sold its interests in Central Canada Potash and Norandex for net proceeds of $191 and $158, respectively. The gain on the sale of Central Canada Potash totalled $93, or $67 net of tax while the gain on the sale of Norandex was $88 or $55 net of tax.

In addition to the above noted asset sales, the Company recorded after-tax dilution gains of $49 and $8, respectively, as a result of the reduction of the Company's equity interest in Falconbridge as part of its June 1994 Initial Public Offering and a reduction from 45.5% to 44.1% of the Company's interest in Hemlo Gold in connection with Hemlo Gold's purchase of an additional interest in the Holloway mine joint venture.

On February 25, 1993, Noranda sold on an instalment basis all of its common share holdings of MacMillan Bloedel Limited to a syndicate of underwriters for $971. The first instalment was received on February 25, 1993. The second instalment of $319 was received on August 25, 1994 and the final instalment of $319 is to be received on February 24, 1995. As a result of this sale, a loss of $66 or $30 after tax and minority interest was recorded in 1993. Also in December 1993, the Company sold 9.1% of its interest in Noranda Forest for $138, resulting in a gain of $61 or $46 after tax.

(B) U.S. COUNTERVAILING DUTY REFUND

During the period March 12, 1992 to August 17, 1994, the United States government imposed a countervailing duty on all imported softwood lumber. The countervailing duty was recorded as a deduction from sales in the applicable period. In December 1994, the U.S. Department of Commerce announced it would refund the countervailing duty, with interest. The total refund due Noranda Forest is $41, of which $11 has been received with the balance of $30 included in accounts receivable at December 31, 1994.

(C) PROVISIONS

Provisions were recorded during 1994 to provide for estimated declines in asset values of certain foreign mining and metals investments, and to provide for potential losses on various sundry investments and other contingencies. These provisions totalled $132, or $88 net of tax.

SUMMARY OF 1994 INVESTMENT AND OTHER INCOME

	Before tax and minority interest	Noranda's share net of tax
Gains on asset sales	$181	$122
Dilution gains	61	57
U.S. countervailing duty refund	41	19
Dividend and other income	26	20
	309	218
Less provisions:		
Mining and metals	77	50
Investments	34	23
Legal contingencies	21	15
	132	88
	$177	$130

13. RELATED PARTY TRANSACTIONS

Related party transactions during the year between Noranda and its associated companies and affiliates are summarized below:

(A) Sales of goods and services, consisting mainly of pulp at market prices on normal trade terms, amounted to $9 and gave rise to accounts receivable at December 31, 1994 of $3 (1993 – $7 and $4).

(B) Purchases of goods and services, consisting of alumina, chemicals and recycled pulp at market prices on normal trade terms, amounted to $65 and gave rise to accounts payable at December 31, 1994 of $10 (1993 – $64 and $5).

(C) Noranda has entered into financing transactions with affiliates and associates from time to time at market interest rates. In 1994, Noranda paid interest in the amount of $3 (1993 – $3) on a loan from an affiliate of $55 (1993 – $55) which was repaid at year end. Receivables from affiliates and associates of $2 (1993 – $1) were outstanding at year end. The Company has U.S. dollar forward sales contracts with an affiliate totalling US$53 [note 7].

(D) In 1993, Noranda exchanged its interest in North Canadian for shares of Norcen [note 4(b)].

(E) Noranda holds various portfolio investments in affiliated companies acquired under normal market terms. At December 31, 1994, $221 (1993 – $236) of these investments are reported as part of investments in and advances to associated and other companies on the Consolidated Balance Sheets. Dividends and interest received from such investments totalled $14 (1993 – $12). During the year, Noranda sold $15 of such securities to affiliated companies.

14. PENSION PLANS

Noranda has a number of pension plans, participation in which is available to substantially all employees after one or two years of continuous service. The hourly employees are generally members of negotiated plans.

The obligation for pension benefits under these plans is determined through periodic actuarial reports that are based on projections of interest, employees' compensation levels and length of service to the time of retirement.

Summary information relating to these plans is as follows:

	1994	1993
Obligations for pension benefits	$1,659	$1,242
Pension fund assets at market-related values	1,432	1,136
Excess of obligations over fund assets	227	106
Net balance sheet provisions	70	46
Excess of obligations over net balance sheet provisions and fund assets	$ 157	$ 60
Excess of obligations over net balance sheet provisions and fund assets comprised of:		
The Company and its wholly-owned subsidiaries	$ 27	$ 21
Partially-owned subsidiaries and joint ventures	130	39
	$ 157	$ 60

15. BUSINESS SEGMENT INFORMATION

Noranda operates in three industry segments: mining and metals, forest products and oil and gas. Inter-segment sales and purchases are made at market prices and trade terms. Operations and identifiable assets by industry and geographic segment are presented below:

(A) INDUSTRY SEGMENTS

	Year ended December 31, 1994					Year ended December 31, 1993				
	Mining and Metals	Forest Products	Oil and Gas	Corporate and inter-segment	Total	Mining and Metals	Forest Products	Oil and Gas	Corporate and inter-segment	Total
Sales	$4,602	1,801	230	–	$6,633	$3,434	1,570	251	–	$5,255
Gain (loss) on sale of operating assets	(2)	–	–	–	(2)	6	–	1	(1)	6
Share of (losses) earnings in associates	1	–	(55)	–	(54)	2	(3)	12	–	11
	4,601	1,801	175	–	6,577	3,442	1,567	264	(1)	5,272
Cost of sales and administration	3,576	1,452	60	20	5,108	2,990	1,346	68	40	4,444
Depreciation, depletion and amortization	353	109	137	4	603	299	113	146	5	563
Mining exploration	71	–	–	–	71	41	–	–	–	41
Income and production taxes (recovery)	263	93	2	(5)	353	69	49	7	(22)	103
Minority interests	109	37	1	–	147	22	11	(4)	–	29
	4,372	1,691	200	19	6,282	3,421	1,519	217	23	5,180
Segment earnings (loss)	$ 229	110	(25)	(19)	$ 295	$ 21	48	47	(24)	$ 92
Interest expense, net					(145)					(145)
Investment and other income					179					66
Loss on the sale of MacMillan Bloedel					–					(66)
Closure provision, Atholville pulp mill					–					(127)
Income tax recovery					5					115
Minority interests					(4)					28
Earnings (loss)					$ 330					$ (37)
Capital expenditures	$ 297	241	194	13	$ 745	$ 268	112	125	9	$ 514

(B) GEOGRAPHIC SEGMENTS

	Year ended December 31, 1994					Year ended December 31, 1993				
	Mining and Metals	Forest Products	Oil and Gas	Corporate and inter-segment	Total	Mining and Metals	Forest Products	Oil and Gas	Corporate and inter-segment	Total
Revenue:										
Canada – Domestic	$ 910	462	111	–	$ 1,483	$ 745	567	226	(1)	$1,537
– Export	2,099	879	–	–	2,978	1,189	588	2	–	1,779
	3,009	1,341	111	–	4,461	1,934	1,155	228	(1)	3,316
U.S.	1,797	543	64	–	2,404	1,534	478	32	–	2,044
Other	721	61	–	–	782	341	45	4	–	390
	5,527	1,945	175	–	7,647	3,809	1,678	264	(1)	5,750
Inter-segment	(926)	(144)	–	–	(1,070)	(367)	(111)	–	–	(478)
	$4,601	1,801	175	–	$ 6,577	$3,442	1,567	264	(1)	$5,272
Investment and other income					179					66
Loss on the sale of MacMillan Bloedel										(66)
Total					$ 6,756					$5,272
Segment earnings (loss):										
Canada	$ 80	91	(27)	(19)	$ 125	$ (67)	17	45	(24)	$ (29)
U.S.	64	15	2	–	81	32	25	1	–	58
Other	85	4	–	–	89	56	6	1	–	63
Total	$ 229	110	(25)	(19)	$ 295	$21	48	47	(24)	$ 92
Total assets employed:										
Canada	$4,073	1,325	1,821	244	$ 7,463	$3,185	1,557	1,884	252	$6,878
U.S.	1,351	439	41	(11)	1,820	1,139	303	31	(10)	1,463
Other	1,050	104	9	–	1,163	434	76	9	–	519
	$6,474	1,868	1,871	233	$10,446	$4,758	1,936	1,924	242	$8,860
Cash and short-term notes, securities and instalment receivable					1,390					896
Total					$11,836					$9,756

11-year financial review

EARNINGS

($ millions)	1994	1993 (1)	1992	1991	1990	1989	1988	1987	1986	1985	1984
Revenue	6,756	5,272	8,643	8,460	9,565	9,325	8,858	7,366	6,196	5,833	5,548
Expense	5,782	5,175	8,109	8,346	8,788	8,116	7,325	6,303	5,774	5,536	5,221
Interest, net	145	145	376	450	493	290	199	195	269	337	323
Income and production taxes (recovery)	348	(12)	56	(135)	104	279	452	337	58	3	(23)
Minority interests in earnings (losses) of subsidiaries	151	1	23	(68)	60	198	277	204	80	28	31
Earnings (loss) before unusual and other items	330	(37)	79	(133)	120	442	605	327	15	(71)	(4)
Unusual and other items	–	–	–	–	–	–	(2)	16	28	(183)	–
Earnings (loss) after unusual and other items	330	(37)	79	(133)	120	442	603	343	43	(254)	(4)

FINANCIAL POSITION

	1994	1993 (1)	1992	1991	1990	1989	1988	1987	1986	1985	1984
Capital employed:											
Working capital	2,324	1,389	1,732	1,783	2,014	2,278	1,979	1,884	1,135	1,088	1,018
Instalment receivable	–	297	–	–	–	–	–	–	–	–	–
Investments and advances	1,317	1,490	2,027	1,869	1,763	1,272	1,421	1,398	638	637	792
Capital assets	6,046	5,063	8,557	8,528	8,851	8,298	5,855	4,659	4,648	4,739	4,756
Other assets	88	69	67	64	63	91	111	76	90	98	86
	9,775	8,308	12,383	12,244	12,691	11,939	9,366	8,017	6,511	6,562	6,652
Financed by:											
Shareholders' equity	4,085	3,943	4,123	4,268	4,673	4,454	4,079	3,661	2,671	2,359	2,604
Convertible debentures	150	150	150	150	150	150	150	150	–	–	–
Long-term debt (2)	2,791	2,818	4,920	4,541	4,522	3,805	1,970	1,706	2,355	3,028	2,982
Minority interests in subsidiaries	1,809	790	2,051	2,157	2,175	2,224	2,084	1,577	939	803	749
Deferred taxes, reclamation provisions and other	940	607	1,139	1,128	1,171	1,306	1,083	923	546	372	317
	9,775	8,308	12,383	12,244	12,691	11,939	9,366	8,017	6,511	6,562	6,652

(1) MacMillan Bloedel Limited was sold February 1993.

(2) Forward gold sales were reclassified from deferred revenue to debt in 1990.

CHANGES IN FINANCIAL POSITION

	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984
Operations	900	751	887	546	1,007	1,352	1,328	845	534	276	332
Investment activities:											
Property, plant and equipment additions	(630)	(453)	(754)	(771)	(1,300)	(1,526)	(1,155)	(538)	(333)	(413)	(571)
Deferred expenditures	(115)	(61)	(91)	(93)	(107)	(102)	(65)	(73)	(55)	(65)	(80)
Investments, advances and other, net (3)	893	672	197	483	14	(1,188)	(160)	489	251	311	1
	148	158	(648)	(381)	(1,393)	(2,816)	(1,380)	(122)	(137)	(167)	(650)
Financing activities:											
Long-term debt (repaid) incurred	(930)	(451)	131	195	539	1,522	(50)	(723)	(368)	(16)	280
Issue of convertible debentures	–	75	69	–	–	–	–	300	–	–	–
Issue (redemption) of shares	801	73	26	141	84	246	(20)	282	423	133	80
	(129)	(303)	226	336	623	1,768	(70)	(141)	55	117	360
Dividends paid	(285)	(283)	(345)	(341)	(355)	(348)	(312)	(200)	(153)	(131)	(130)
Cash increase (decrease) (3)	634	323	120	160	(118)	(44)	(434)	382	299	95	(88)

Cash comprises cash and short-term notes less bank advances.

COMMON SHARES DATA

($ per share)	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984
Earnings (loss)	1.45	(0.41)	0.10	(1.04)	0.36	2.19	3.14	2.14	0.02	(2.38)	(0.32)
Dividends	1.00	1.00	1.00	1.00	1.00	1.00	0.90	0.57	0.50	0.50	0.50
Book value*	17.69	16.86	17.39	18.29	20.53	21.03	19.92	17.66	15.38	15.71	18.53
Market price range											
High	27.88	26.13	20.75	20.38	24.50	28.38	27.13	38.00	22.00	21.38	27.50
Low	22.38	14.88	16.38	15.50	14.13	21.38	20.13	19.12	15.13	13.38	16.50
Close	26.50	25.88	18.50	18.63	16.75	24.25	24.13	26.00	20.00	15.63	17.25
Common shares issued (000)	227,444	211,944	192,473	190,932	190,292	187,265	183,619	182,911	144,664	129,259	128,379
Preferred shares issued (000)	1,316	15,867	32,142	32,142	32,142	19,642	19,659	19,661	19,739	5,595	3,583

*Calculated using net common shares.

(3) The definition of cash was changed in 1992 to exclude current securities. The prior years were restated accordingly.

board of directors

COMMITTEES OF THE BOARD

As at December 31, 1994

AUDIT COMMITTEE

The Audit Committee's responsibilities include reviewing the annual consolidated financial statements, accounting practices and policies and results of external audits and related matters; assessing internal control programs and policies; examining the fees and expenses for audit services; and recommending external auditors for appointment by shareholders. The committee met twice in 1994.

J.W. McCutcheon *(Chairman)*

A. Bérard	E.P. Lougheed
J.L. Cockwell	W.D. McKeough

ENVIRONMENTAL COMMITTEE

The Environmental Committee's responsibilities include ensuring that an appropriate and effective environmental and occupational health and safety management system is in place and operational throughout Noranda; reviewing reports by management; and reporting significant environmental and occupational health and safety matters on a timely basis to the Board of Directors. The committee met three times in 1994.

A.H. Zimmerman *(Chairman)*

J.W. Bud Bird	R. Dufour
P.F. Bronfman	D.W. Kerr

HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Human Resources and Compensation Committee's responsibilities include reviewing overall compensation strategy, objectives and policies; and the performance and compensation of senior management; and ensuring that appropriate succession plans are in place. The committee met six times in 1994.

J.T. Eyton *(Chairman)*

A. Bérard	A. Monast
J.L. Cockwell	A. Powis

NOMINATING COMMITTEE

The Nominating Committee's responsibilities include considering the appropriate size and composition of the Board of Directors; establishing selection criteria; and recommending individuals to be proposed for election or appointment as Directors. The committee met three times in 1994.

J.T. Eyton *(Chairman)*

J.L. Cockwell	J.W. McCutcheon
E.P. Lougheed	A. Powis

PENSION COMMITTEE

The Pension Committee assists the Board of Directors in fulfilling its fiduciary responsibilities relating to Noranda's pension plans. The committee's responsibilities include reviewing the actuarial reports, assumptions and funding policies, and the investment strategy, objectives and policies and the funding strategy relating to the pension plans. The committee met twice in 1994.

W.D. McKeough *(Chairman)*

R. Dufour	A. Powis
D.W. Kerr	

DIRECTORS

Alex G. Balogh
Deputy Chairman
Noranda Inc.
Toronto, Ontario

André Bérard
Chairman and Chief Executive Officer
National Bank of Canada
Montreal, Quebec

J.W. Bud Bird
President
Bird Holdings Ltd.
Fredericton, New Brunswick

Peter F. Bronfman
Chairman
Edper Enterprises Limited
Toronto, Ontario

Jack L. Cockwell
President and Chief Executive Officer
Brascan Limited
Toronto, Ontario

René Dufour
Professor and Assistant to the President
École Polytechnique
Montreal, Quebec

The Honourable J. Trevor Eyton, O.C., Q.C.
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Brascan Limited; and
Member of the Senate of Canada
Caledon, Ontario

David W. Kerr
President and Chief Executive Officer
Noranda Inc.
Toronto, Ontario

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Chatham, Ontario

André Monast, Q.C.
Partner
Desjardins Ducharme Stein Monast
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Toronto, Ontario

Adam H. Zimmerman, O.C., F.C.A.
Corporate Director
Toronto, Ontario

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officers

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Alex G. Balogh
Deputy Chairman

David W. Kerr
President and Chief Executive Officer

David L. Bumstead
Executive Vice-President

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Executive Vice-President

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Frank L. Lederman
Senior Vice-President and
Director of Research

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Senior Vice-President
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Vice-President
Investments and Strategic Planning

Helen Reeves
Vice-President
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General Counsel

Edward O. Villeneuve
Vice-President
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Noranda Mining and Exploration Inc.

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Hemlo Gold Mines Inc.

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Northwood Pulp and Timber Limited

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Fraser Inc.

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President
Norcen Energy Resources Limited

James K. Gray
President
Canadian Hunter Exploration Ltd.

corporate information

ADDRESS

Noranda Inc.
P.O. Box 755
BCE Place
181 Bay Street
Toronto, Ontario
M5J 2T3
Telephone: (416) 982-7111
Facsimile: (416) 982-7423

ANNUAL MEETING

Noranda Inc.'s Annual Meeting of shareholders will be held on Thursday, April 27, 1995 at 2:30 p.m., at Roy Thomson Hall 60 Simcoe Street, Toronto.

TRANSFER AGENT AND REGISTRAR

The R-M Trust Company — Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary, Vancouver.
Mellon Securities Trust Company — New York.

AUDITORS

Ernst & Young

DIVIDEND REINVESTMENT PLAN

Noranda Inc. common shareholders resident in Canada may purchase additional common shares by reinvesting their cash dividends. To do so, a form of election may be obtained by contacting:

The R-M Trust Company
Corporate Trust Services
393 University Avenue
5th Floor
Toronto, Ontario
M5G 2M7
Telephone: 1-800-387-0825
(toll free in Canada) or
(416) 813-4600

DUPLICATE COMMUNICATIONS

If you receive more than one copy of this or other Noranda publications, please advise the Communications Department. Telephone: (416) 982-7181.

STOCK INFORMATION

Noranda Inc. common shares are listed on:
The Montreal Exchange
The Toronto Stock Exchange
The Vancouver Stock Exchange
Trading Symbol: NOR

INQUIRIES

SHAREHOLDERS

For information regarding cheques, share certificates, stock transfers, etcetera, please contact:
The R-M Trust Company
Telephone: 1-800-387-0825 or
(416) 813-4600

INVESTORS AND ANALYSTS

For financial information about Noranda, please contact:
Kevin Todd
Investor Relations
(416) 982-7337

NEWS MEDIA

For information about Noranda, please contact:
Helen Reeves
Communications Department
(416) 982-7086

GENERAL INQUIRIES

For general information about Noranda, please contact:
Communications Department
Telephone: (416) 982-7181

CAPITAL GAINS EXEMPTION

For individual Canadian shareholders wishing to make the special capital gains election for 1995 (to utilize any portion of their unused $100,000 capital gains exemption), the closing price for the common shares of Noranda Inc. on February 22, 1994 was $24.75 per share. Also, if it is relevant for your election, the closing price of Noranda's common shares on valuation day, December 22, 1971, was $10.92 per share. The capital gains election must be filed by April 30, 1995.

PUBLICATIONS

To be added to a mailing list for Noranda publications, or to receive additional copies of this report, please advise us through one of the following methods:
Enclosed reply card
Telephone: (416) 982-7153
E-mail:
nornet!norinc!request@noranda.attmail.com

VERSION FRANÇAISE

On peut se procurer la version française de ce rapport en en faisant la demande auprès du service des communications, à l'adresse mentionnée ci-dessus.

Environmental reports

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Environmental reports are available for Noranda Forest and Noranda's mining and metallurgy businesses. To receive the following publications please advise us through one of the following methods:

Complete this reply card and mail to Noranda Inc.
Call the publication request line (416) 982-7153
Fax: Noranda Inc. Communications (416) 982-7446
E-Mail: nornet!norinc!request@noranda.attmail.com

SELECTION

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☐ NORANDA MINING/EXPLORATION/METALLURGY

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Tell us what you think

noranda

We would appreciate receiving your feedback on this annual report. Your comments will help in shaping the content of future annual reports. Please circle the appropriate answer letter.

1. How much of this annual report did you read?
   A all of it B most of it C some of it D none of it
2. Did this report provide you with clear and relevant information about Noranda pertaining to the following topics? *(Please circle as many as apply)*
   A Noranda's financial performance in 1994
   B Noranda's vision, progress and future direction
   C Overall structure and major businesses of Noranda
   D Issues affecting the performance of Noranda's businesses
3. Where can we improve on the content of the report?
4. What aspects of the report should be continued?
5. On a scale of **A** (excellent) to **E** (poor), what overall score would you give the report?
   A excellent B very good C good D fair E poor
6. Are you a *(please circle one)*:
   A shareholder
   B employee shareholder
   C employee
   D prospective shareholder
   E financial analyst
   F media
   G other

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CORPORATE COMMUNICATIONS DEPARTMENT
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